

## Sri Lanka Cautions New Delhi

### \* Vows to Stop Flotilla Bound For Rebel Area

By Steven R. Weisman  
New York Times Service

COLOMBO, Sri Lanka — Sri Lanka and India appeared headed for a serious confrontation Tuesday night as the government here ordered its armed forces to intercept a shipment of supplies from India to ethnic Tamils in the north. Brushing off the Sri Lankan threats, India proceeded with preparations for the delivery of "humanitarian assistance" by an unarmed flotilla of 20 boats scheduled to leave the south Indian port of Rameswaram early Wednesday morning.

India said the food, medicine and other supplies would alleviate suffering in areas bombed and shelled by Sri Lankan armed forces. The destination of these supplies was to be a portion of the northern Jaffna Peninsula long held by Tamil insurgents. A Sri Lankan official said that if the boats did not stop and turn their goods over to the government, they would be interpreted as "illegal entrants." Sri Lanka said the supplies were unnecessary, but that it would agree to distribute them if they were handed over to legitimate authorities.

Indian officials reported that its warships were stationed in India's territorial waters in the 30-mile-wide (50-kilometer-wide) Palk Strait separating the two countries, ready to move if Sri Lanka tried to stop the shipment. "If they try to stop those boats, God help them," said an Indian official.

Sri Lankan officials contended that there was a buildup of Indian troops at air bases in southern India and that India could be looking for a pretext to invade Sri Lanka. The crisis atmosphere深ened further when the government announced that a group of Tamil guerrillas had massacred 29 Buddhist monks and at least three other civilians riding on a bus in the

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Alan Greenspan, left, on Tuesday with his predecessor as Fed chairman, Paul A. Volcker, and President Ronald Reagan.

## Shultz Says More Allied Gulf Aid Isn't Vital

Reuters

WASHINGTON — Secretary of State George P. Shultz said Tuesday that an increase in allied forces in the Gulf was not vital to protect shipping against attack but that possible allied contributions should be examined.

Asked if he saw the need for a greater military presence by the allies in the Gulf, where the U.S.-guided-missile frigate Stark was attacked accidentally by two Iraqi missiles on May 17, killing 37 sailors, Mr. Shultz said: "Not necessarily, particularly, so."

Meanwhile, the House voted Tuesday, 302-105, to seek new details from President Ronald Reagan about U.S. military plans in the Gulf, The Associated Press reported.

[Democrats who control the Senate said that chamber also was likely to pass it.]

In his comments, Mr. Shultz asserted that an adequate force was needed to deter attack and noted that Britain and France, as well as the United States, maintained naval contingents there.

He said the question of the threat to shipping in the Gulf would be discussed at the Venice summit meeting of the seven major industrial democracies. It is to open Monday and end June 10.

The Reagan administration is in the process of bringing 11 Kuwaiti oil tankers under the protection of the United States by having them sail under the American flag.

But officials say that although the process is almost complete, the first ship will not carry cargo until arrangements are in place for protecting all of them.

Tankers belonging to Kuwait, a supporter of Iraq in its nearly sev-

en-year war with Iran, have come under repeated Iranian attack.

President Reagan said in a speech Monday that the American people "are aware that it is not our interest alone that are being protected in the Gulf."

Mr. Shultz noted that Britain and France both had a naval presence in the Gulf region. He said the British presence — two frigates and a destroyer — was actually greater than that of the United States as a proportion of the national economy.

The secretary also suggested that Japan, a major purchaser of Gulf oil, could help diplomatically and economically.

He said U.S. collaboration with Saudi Arabia needed to be enhanced and improved means of communication with Iraq worked out so that Iraq did not misidentify ships.

### Shevardnadze Meeting

Mr. Shultz may meet this summer with the Soviet foreign minister, Eduard A. Shevardnadze, the State Department said Tuesday, according to an Associated Press report from Washington.

The department spokesman, Charles E. Redman, said there have been discussions about such a meeting, but no date has been set.

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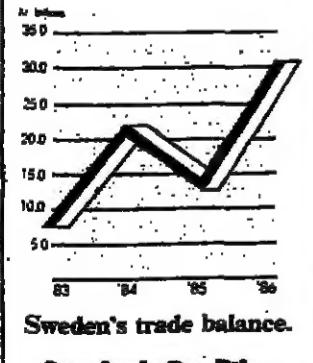
See MARKETS, Page 22

## Kiosk

### Chun Backs Roh In South Korea

SEOUL (AP) — President Chun Doo Hwan endorsed Roh Tae Woo, leader of the ruling Democratic Justice Party, on Tuesday as the country's next president.

Mr. Chun's endorsement is expected to assure Mr. Roh's nomination for president at a convention June 10. The opposition Reunification Democratic Party has said it will boycott a presidential election. Mr. Chun is to leave office in February.



### Sweden's Realities

Under Prime Minister Ingvar Carlsson, Sweden is moving quietly to improve relations with the United States.

A Special Report, Pages 7-10.

### GENERAL NEWS

■ U.S.-Iraqi safety precautions in the Gulf still have not been carried out. Page 2.

■ Italian journalism is being transformed by an upsurge of upstart publications. Page 2.

■ The pilot who landed in Red Square may be imprisoned for months, Bonn said. Page 6.

### SPORTS

■ Defending titlists Ivan Lendl and Chris Evert swept into the semifinals of the French Open tennis tournament. Page 13.

### BUSINESS/FINANCE

■ Factory orders in the United States in April were slowest in three months. Page 15.

Dow close: DOWN 10.01  
The dollar in New York:  
DM 5. Ven 5. FF  
1.7945 1.6485 1.4120 5.9925

## Wiesel Goes On Stand at Barbie Trial

By Julian Nundy  
International Herald Tribune

LYON — Elie Wiesel, the Holocaust writer and Nobel Peace laureate, said Tuesday that the trial of Klaus Barbie was essential to stop "the killer killing a second time."

Taking the witness stand in the Lyon courthouse, where Barbie faces charges of crimes against humanity for his World War II activities as head of the Lyon Gestapo, Mr. Wiesel added that he did not think the trial should turn into one of French wartime collaboration.

Mr. Wiesel, 58, the author of "La Nuit," which recounts his own ordeal in the Auschwitz and Buchenwald concentration camps, said:

"The killer kills twice. First, by killing and then by trying to wipe out the traces."

Of the Nazis' six million Jewish victims, he said: "We must prevent their second death."

He added: "We must talk, we must bear witness to what happened. This is why this trial is so important. This is why I am here. To stop the killer from killing a second time."

Mr. Wiesel was awarded the Nobel Peace Prize last year for a message of "peace, tolerance and human dignity."

Barbie, 73, was not in court to hear Mr. Wiesel. He has been absent from his trial since May 13, except for a brief appearance a week ago, because he contests the legality of his 1983 expulsion from exile in Bolivia to France.

In a calm, but powerfully worded statement on the Holocaust — the term he coined for the Nazi extermination of Jews, Gypsies and others — Mr. Wiesel said of his writings: "I write because I cannot stand."

He asked the court: "How can you explain the selection, the separation of children who suddenly see their fathers going away, the silent pain of a little girl who is frightened of crying?"

He also spoke of "the worst suffering, the suffering of seeing others suffer, a son seeing his father suffer and a father seeing his son tortured."

To stress the extent of Nazi motivation, Mr. Wiesel told how trains carrying victims to the concentration camps had priority over military trains taking arms and supplies.

Yasser Arafat, chairman of the Palestine Liberation Organization,



Elie Wiesel, visiting the Holocaust Memorial in Lyon on Tuesday, pointed out his place at the Birkenau concentra-



tion camp in a wartime German photograph. The memorial opened on May 11, when the trial of Klaus Barbie began.

## Jerusalem: Barriers Are Gone, but Divisions Remain

By Glenn Frankel  
Washington Post Service

JERUSALEM — In the bitter and long conflict between Arabs and Israelis, this city remains the ground prize.

Jerusalem's hold on the imagination of Moslem, Christian and Jew is both tangible and mystical. It evokes mortality and eternity in the same moment. "Elsewhere you die and disintegrate," wrote Saul Bellow. "Here you die and mingle."

The physical city, the Jerusalem of stone, concrete and clay, has been rebuilt for 20 years under Jewish rule, since Israel vanquished Jordan in the June 1967 war.

A few weeks after the war's end, bulldozers leveled every barricade, every checkpoint, every barbed-wire fence and anti-tank wall between the Arab and Israeli parts of the city, all in one busy morning.

But the spiritual city, the Jerusalem of dreams, remains very much divided.

The worst in recent memory occurred in November, when a Jewish religion student was stabbed and killed by three Palestinian youths

in the Moslem quarter of the Old City. Young Jews from nearby working-class neighborhoods went on a weeklong rampage, smashing windows of Arab shops and cars, setting fire to houses and beating up passers-by.

It is a miracle, many observers say, that such incidents do not occur more often. Jerusalem is Belfast without bombs, Berlin without the wall, Beirut without bullets. And although its passions have run far deeper for far longer, it is generally quieter than those cities.

One reason is that Arabs and Jews generally keep to their own neighborhoods.

There is almost no integrated housing. While Arab laborers are common in East Jerusalem, the Jewish sector, surveys indicate that Jews increasingly avoid the Arab sector because of fears for their safety.

The two sections have different business centers, different bus systems, even different electric utility grids.

It is separation by uneasy mutual consent, rather than by statute. It is what Mayor Teddy Kollek calls "a mosaic, a multicultural society, never a melting pot."

Indeed, the open conflict these days is no longer primarily Jew vs. Arab. Jews are increasingly at odds with each other, polarized between the growing ultraorthodox community and the shrinking majority who consider themselves secular.

A poll of Jewish residents of Jerusalem last year showed that 44 percent saw religious vs. secular relations as the city's worst problem. That was twice as many as those Arab-Jewish relations.

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# In Italy, Journalism Is Being Transformed by an Upsurge of Upstart Publications

By Henry Tanner

International Herald Tribune

MILAN — Italian journalism is in a state of transformation and upheaval, like much of the rest of the country's economic and cultural scene.

The *Corriere della Sera* of Milan, which has been a leading newspaper since its founding in 1876, is fighting the battle of its life against *La Repubblica*, the brash Roman upstart founded in 1976, which has just made a sensational jump in circulation, leaving the *Corriere* in second place nationwide for the first time.

*Repubblica*'s paid daily circulation for the last four months was 690,000 copies, up from an average of 486,000 last year. The *Corriere* sells around 500,000 copies a day according to Ugo Stille, the new editor, who took over two months ago and is trying to turn the paper around.

Another duel is pitting *Il Sole-24 Ore* which was founded 123 years ago and until last fall had a monopoly in the finance field, against a new tabloid financial daily, *Italia Oggi*. Both are edited in Milan.

The newcomer is promising its readers a fresh, more critical view of the world of Italian corporations, and in an aggressive promotion campaign has called itself the country's only

independent financial newspaper. That is a swipe at *Il Sole-24 Ore*, which is owned by Confindustria, the national industrial employers' confederation.

Gianni Locatelli, the editor of *Il Sole-24 Ore*, replies that his newspaper is a money maker — with profits from book publishing and other services as well as the daily paper — and that Confindustria could not exact any favors even if it tried. "The market will decide," he said.

The paid circulation of *Il Sole-24 Ore* stands at 250,000 copies daily. It doubled from 1982 to 1986 — a faster rise than that of any general-interest newspaper — and closely paralleled the graphs in the stock tables of the Milan bourse, Mr. Locatelli said. Unlike the stock market, it has leveled off but not declined.

*Italia Oggi*, after little more than six months on the newsstands, has a paid daily circulation of just over 90,000 and will reach the break-even point at 110,000, according to Marco Borsa, its editor.

A new financial weekly, *Milano Finanza*, also came out last month, and publications ranging from *L'Unità*, the Communist Party newspaper, to *Repubblica* have expanded and improved their financial coverage. Even *Corriere dello Sport* is publishing daily stock tables.

Silvio Berlusconi, the real estate developer

who went into television only in the mid-1970s, is also on the move.

Fininvest, the Berlusconi holding company, today consists of 65 percent television interests, about 12 percent publishing, 10 percent finance and only the remaining 13 percent in real estate "and other" interests, according to Rosario Pacini, an official at the group's headquarters in Milan.

Mr. Berlusconi's latest move, a week ago, was to sign a contract with a state-owned satellite

company giving him the technical means to transmit live television programs simultaneously to 17 regional stations around the country instead of sending cassettes.

All he needs now is a government decision permitting private companies to use simultaneous transmission. Christian-Democratic politicians in Rome have been blocking this, but future governments are expected to grant it. When that happens, Mr. Berlusconi will have scored his final victory over RAI, the state television company, whose monopoly he has been steadily eroding.

In the newspaper field, Mr. Berlusconi achieved financial control earlier this year of *Il Giornale*, the conservative Milan daily. He now owns 70 percent of the company, up from 37.5

percent. His main fare has always been politics and its style is provocative in all directions. At first it was aimed chiefly at left-leaning nonparty intellectuals in big cities such as Rome and Milan.

*Repubblica*, the brain child of Eugenio Scalfari, its editor and co-founder, is in a category of its own among Italian dailies.

There are only three general-interest dailies that can be called national newspapers. Two of them — the *Corriere* and *La Stampa* in Turin — derive their strength from blanketing their home regions and then expanding to a national audience from there.

*Repubblica*, by contrast, is a national newspaper from the start, with no local constituency. Based in Rome, it never had the financial backing of major businesses that *Stampa* and *Corriere* have enjoyed.

Its main fare has always been politics and its style is provocative in all directions. At first it was aimed chiefly at left-leaning nonparty intellectuals in big cities such as Rome and Milan.

Later it added sports, human-interest and entertainment coverage, which at first it had found beneath its dignity. Still later it added cultural supplements aimed at the provincial elite. The latest innovation is a salmon-colored weekly financial supplement.

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Two related families — Mondadori and Formentor — own 50.3 percent of the holding company AME Finanza, which in turn owns 50.3 percent of Mondadori. Carlo de Benedetti's Sabaudo holding company owns 21.2 percent of Mondadori and 15.5 percent of AME, as well as 17 percent of Editorial L'Espresso.

The boards of Italian newsstands are growing under the heft of thick magazines many of them new, with titles like *Piacere* (Pleasure) and *Capital* aimed at the market of the newly affluent or pleasure seekers or both.

Mr. Berlusconi, a new arrival among publishers, is set to move into the expanding market.

His plans include construction of a press complex with a capacity to print four million copies of his *Sorrisi e Canzoni* (Smiles and Songs), a TV guide and light-entertainment magazine that now sells about two million copies. There will be room for a new magazine called *Telepiù* (More TV), which will make its appearance in the fall, as well as a new movie magazine and family and women's weeklies.

## WORLD BRIEFS

### Joint Draft Completed on Missile Pact

Compiled by Our Staff From Dispatches

GENEVA — U.S. and Soviet arms negotiators have completed the first version of a joint draft treaty that calls for the elimination of their nations' intermediate-range nuclear missiles in Europe, a Soviet negotiator said Tuesday.

"As a result of the work done at the current round, said Alexei A. Obukhov, the deputy leader of the Soviet arms negotiating team, "the sides have drafted the first joint draft text of the treaty on medium-range missiles."

He said that much work remained to be done and that the two sides would now concentrate on removing numerous areas of disagreement in the joint document.

It is the first time that the two sides have been working from a single, joint treaty document since they requested arms control efforts in March 1985.

Mr. Obukhov said at a news conference that negotiators had completed the document on Monday, putting together a single text from rival drafts.

A spokesman for the U.S. delegation, Terry Shroder, confirmed that the first draft text had been completed.

Mr. Obukhov specified three U.S. demands as unacceptable:

- The right to convert medium-range missiles, which have a range from 600 to 3,000 miles (1,000 to 5,000 kilometers), into shorter-range weapons instead of eliminating them. Shorter-range missiles have a range of 300 to 600 miles.

- Requiring the Soviet Union to begin destroying medium-range missiles first because it has more of them. Mr. Obukhov said the Soviet Union wanted both sides to start the process at the same time.

- Basing the remaining 100 U.S. medium-range nuclear warheads in Alaska, which is within range of Soviet territory. There have been proposals at the talks to allow each side to keep 100 intermediate range warheads with the Soviet warheads to be deployed in Soviet Asia.

Aides to Mr. Obukhov said that a treaty could be completed some time in October, allowing a summit meeting between President Ronald Reagan and the Soviet leader, Mikhail S. Gorbachev, to be held in November in Washington.

"I think we will be able to find common language on verification," Mr. Obukhov said. "We are for strict verification, including on-site inspections."

Mr. Obukhov said that any accord on shorter-range missiles must include the "liquidation" of U.S.-controlled warheads for West Germany's 72 Pershing 1-A missiles. These have a range of about 450 miles. (UPI)

### U.K. Loses Case Against Newspapers

LONDON (AP) — A High Court judge ruled Tuesday that there are no legal grounds to charge three newspapers with contempt of court for publishing extracts from the memoirs of Peter Wright, the retired operative of MI5, the British counterintelligence agency.

The judge, Sir Nicolas Browne-Wilkinson, rejected the government's contention that The Independent, the London Daily News and the London Evening Standard were in contempt because they knew about injunctions barring two other papers from publishing the material. The government said it would appeal, and Attorney General Sir Michael Havers warned that anyone publishing or broadcasting Mr. Wright's work still risked contempt charges.

The government had blocked British publication of Mr. Wright's memoirs, "Spycatcher," for two years. It is appealing an Australian court order that would allow publication there.

### Sweden Increases Military Budget

STOCKHOLM (UPI) — The Riksdag, Sweden's unicameral parliament, approved on Tuesday a five-year military budget that provides for the first real-term increase in Swedish military spending in 15 years. Critics of the budget argued that the increase, 1.5 percent annually in real terms, was not enough.

The budget was adopted more than five years after a Soviet submarine ran aground off a southern Sweden naval base. The incident led to a change in the security policy in Sweden, a neutral country that had been scaling down its military forces since 1972. Under the plan, the number of mobile anti-aircraft missile battalions will be doubled to four. To detect submarines, warships will be fitted with new sonars and more sea fleet early-warning systems will be set up.

The spending increase will be about half of what the military has requested. Next year's military budget will be 23.8 billion kronor (\$3.5 billion).

### Khomeini Abolishes Islamic Party

NICOSIA (AP) — Ayatollah Ruhollah Khomeini, the Iranian spiritual leader, has abolished the Islamic Republican Party, warning that "sowing discord is one of the greatest sins," the party newspaper, *Jomhouri Islami*, reported Tuesday.

The decree Monday by Ayatollah Khomeini to abolish the party followed a request by the Iranian president, Ali Khamenei, and by the speaker of the parliament, Hashemi Rafsanjani. The paper quoted the officials as saying that while the party had played a major role at the beginning of the revolution, it had outlived its usefulness and "may provide an excuse for discord and factionalism."

The party held its first elections in 1979, under the leadership of Ayatollah Mohammed Hussein Beheshti, then the second most powerful leader in Iran. He was killed along with more than 70 others when a bomb explosion destroyed the party headquarters in 1981.

### Duarte Announces Reforms, Amnesty

SENSETUNDEPEQUE, El Salvador (AP) — President Jose Napoleón Duarte marked the start of his fourth year in office by announcing economic and social projects, an amnesty for political prisoners and permission for 98 wounded guerrillas to leave the country.

Mr. Duarte traveled Monday to this town, 50 miles (80 kilometers) northeast of San Salvador, to inaugurate a health center. He told legislators, military commanders, diplomats and visitors that he would permit the wounded guerrillas to seek medical treatment outside El Salvador, but insisted that the rebels free nine people they kidnapped, including two mayors.

### Singapore Bishop Sees Lee on Arrests

SINGAPORE (Combined Dispatches) — Archbishop Gregory Yong said Tuesday he was convinced the Singapore government had nothing against the Roman Catholic Church when it accused 16 persons of a Marxist conspiracy and arrested them on May 21.

Church sources said Prime Minister Lee Kuan Yew invited the archbishop and Anselmo Giovanni, the Vatican's representative based in Bangkok, to discuss the arrests of 10 church workers and six other persons under the Internal Security Act. The act permits arrests without a warrant and detention without trial.

In Geneva, the International Commission of Jurists urged Singapore Tuesday either to bring to trial or to release those detained. The human rights group issued a statement and a copy of a letter to Singapore's ambassador, See Chak Mun, protesting the detention. (Reuters, UPI)

### Australian Death Now Is Laid to Dog

DARWIN, Australia (Reuters) — Lindy Chamberlain, imprisoned for life for murdering her 9-week-old daughter but freed after three years, was pardoned Tuesday after an official inquiry found evidence to support her contention that a dingo, or wild dog, had killed the child.

The Royal Commission, in a 380-page report, concluded that new evidence presented at the inquiry had raised serious doubts about the guilt of Mrs. Chamberlain and her husband, Michael. He had received a suspended sentence for supporting his wife in the alleged murder.

During the murder trial in 1982, Mrs. Chamberlain said that a dingo had grabbed her baby from a tent in a desert area of central Australia in 1980. The body never was found, but in February a tattered jacket was found and Mrs. Chamberlain identified it as her daughter's.

### For the Record

Five suspected members of the Red Brigades have been arrested in Rome in connection with the March 20 assassination of an Italian Air Force general, Licio Giorgieri. Italian news agencies said Tuesday, (12)

The Paris murder trial of three accused guerrillas of the leftist Direct Action group opened Wednesday in a special anti-terrorist court with no jury. The first trial was postponed indefinitely in December after five jurors withdrew and a defendant threatened the judge. (Reuters)

## TRAVEL UPDATE

### Sweden Expects Disruption of Flights

STOCKHOLM (Reuters) — Flights to and from Sweden may be disrupted Wednesday, when air traffic controllers plan to step up actions to back pay demands, airport officials said Tuesday. Air traffic controllers are banned by law from going on strike.

Domestic flights have been affected by a ban on overtime for controllers and their refusal to work in place of colleagues who are sick. Officials said the problems were likely to begin to affect international flights.

Seventeen British Airways baggage handlers were arrested on Tuesday. They are accused of stealing clothing and other items from passengers' luggage. A total of 40 have been arrested in the airline's investigation of missing luggage. (UPI)

### Correction

An article Tuesday erred in naming the architect who designed the Pompidou Center in Paris. The building was designed by Richard Rogers and Renzo Piano.

## Along Indian Border, China Rattles the Saber

By Edward A. Gargan

New York Times Service

LHASA, Tibet — As tension along China's easternmost border with India continues, China is pouring large numbers of soldiers and weapons into the sparsely populated mountainous area along the two countries' disputed border.

In the last two weeks, convoys of troops, artillery, rockets and supplies have been winding over the dusty gravel road leading to the border.

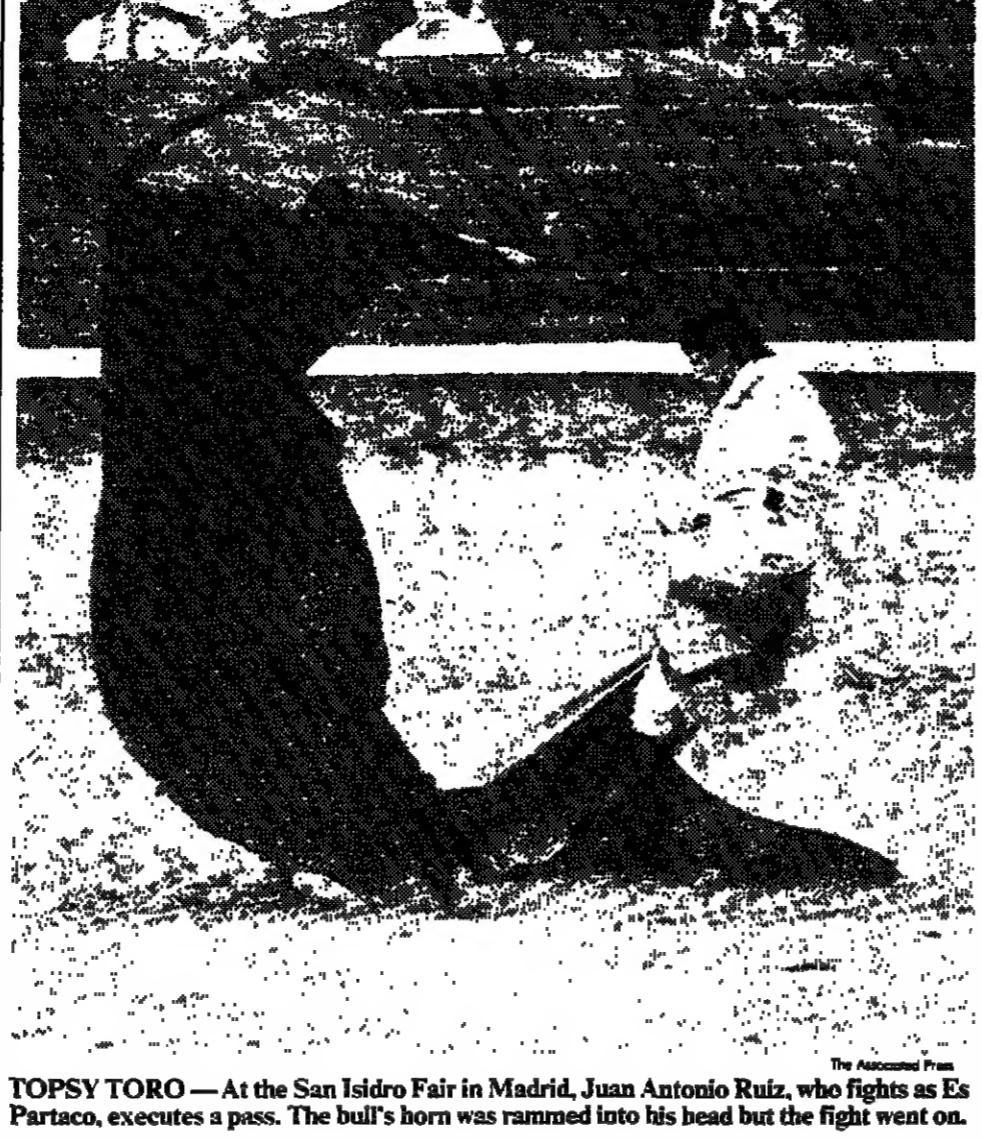
One day last week, Chinese Army trucks covered with thick olive-green camouflage netting trundled through the southern town of Zedang toward the border 75 miles (120 kilometers) away at a rate of one minute over a period of six hours. In one convoy, 14 four-wheel-drive trucks were seen hauling camouflaged artillery pieces.

Both Indian and Chinese officials emphatically deny that there have been any conflicts between the two armies. Nonetheless, both Tibetans and Westerners with long experience in Tibet said the level of military activity exceeded even the usual highly visible presence of the Chinese Army here.

Since 1960, China and India have contested their boundaries, drawn vaguely by Britain in 1913 and 1914. After the Communist takeover in China in 1949, the new government rejected that demarcation. In 1962, the two countries fought a brief and indecisive war along sections of the 700 miles of mountain ridges running from Bhutan to Burma, which the British government had declared the official border.

Concern among Western countries over the possibility of armed conflict between the world's two most populous nations is acute, and diplomats and military attaches from various countries have visited Lhasa and nearby towns in recent weeks. Two army liaison officers from the U.S. Consulate in Hong Kong were in Lhasa.

Two Western journalists, a reporter for the Finnish newspaper *Helsingin Sanomat* and a freelance photographer from Canada were caught last week by Chinese



TOPSY TORO — At the San Isidro Fair in Madrid, Juan Antonio Ruiz, who fights as Es Partaco, executes a pass. The bull's horn was rammed into his head but the fight went on.

## Syria Vows to Avenge Assassination; New Lebanese Prime Minister Named

By Nora Boustanly

Washington Post Service

BEIRUT — Vice President Abd al-Halim Khaddam of Syria vowed Tuesday night that the killers of Prime Minister Rashid Karim of Lebanon would be punished.

This was the first direct Syrian threat to avenge the death of their closest and most influential ally in Lebanon.

The warning coincided with accusations by Moslem leaders that the Christian militia had been behind a bomb blast Monday night aboard an army helicopter carrying Mr. Karim from northern Lebanon to Beirut.

Salim al-Hoss, 57, a Sunni Moslem who was named acting prime minister, said Tuesday that he would pursue his predecessor's policy of national dialogue.

"I am going to continue the work and follow the political path of the assassinated prime minister," said Mr. Hoss.

Mr. Khaddam, who was in Tripoli

to attend the state funeral for Mr. Karim on Wednesday, said: "We are confident that the sinful hand which carried out this crime will be severed and it will receive harsh and painful punishment."

The Lebanese justice minister, Nabil Berri, blamed agents of the Lebanese Forces militia for Mr. Karim's assassination, asserting that "the Christian militia has agents who have unfortunately infiltrated the ranks" of the Lebanese Army.

## Millions of U.S. Children Called Potential Failures In School and in Society

By Barbara Vobejda  
*Washington Post Service*

WASHINGTON — As many as a third of the 40 million school-age children in the United States are at serious risk of failing in school and society, creating "massive, urgent and problems" for the nation, leaders of 11 education organizations have warned.

Their coalition, the Forum of Educational Organization Leaders, represents the views of teachers, school administrators, superintendents, school boards and principals.

The coalition warned that this potentially huge number of unproductive citizens — many of them handicapped by drug problems, poverty and their own criminal behavior — will drain the economy through welfare and social service costs and seriously hamper the nation's ability to compete internationally.

On Monday, the group called for federal and state governments to guarantee "an array of necessary educational services" designed to help such youngsters graduate from high school.

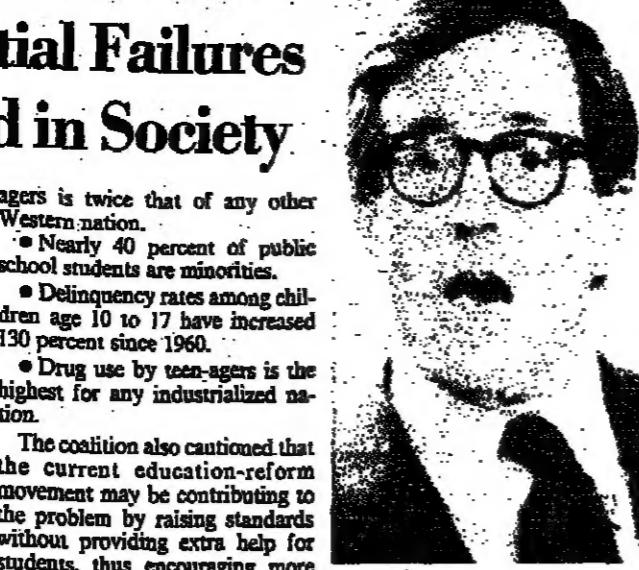
Suggestions included pre-kindergarten classes, programs to improve parents' involvement in children's education, assigning mentors to students who have repeatedly failed in school, and giving high school graduates who meet certain standards a chance at a job or college.

The educators said that a growing body of evidence has prompted them to push the issue of these failing youngsters to the top of the national agenda.

"The American people have not accepted this as a major concern," said Mary Hartwood Fritch, president of the National Education Association, which represents teachers. "Until it becomes a national priority, we'll plod along as we are today."

The educators pointed to a "radical change" in the nature of students, citing these statistics:

- Nearly one-fourth of the nation's children live below poverty level.
- Almost 60 percent of 4-year-olds will live in a single-parent household before they are 18.
- The rate of births to U.S. teen-



Pierre S. du Pont 4th



**FIRE'S AFTERMATH** — Two residents of Pebble Beach, California, surveying the ruins of their house, which was destroyed with 32 others in a fire that raged across 140 acres of a wealthy residential area. More than 200 people were forced to flee, and damage was estimated at \$18 million. The blaze was believed to have been started by a campfire left by partying youths.

Robert F. Kennedy/The Associated Press

## Aid Package For Maputo Is Uncertain

By David B. Ottaway  
*Washington Post Service*

WASHINGTON — The Reagan administration appears to have rejected a Democratic proposal, endorsed by the Soviet Union, for a joint humanitarian relief operation in Mozambique, U.S. officials said. An estimated 4.5 million Mozambicans are suffering from food shortages.

The proposal, which would involve U.S. and Soviet coordination in distributing mostly U.S.-supplied grain in Mozambique, was presented to the Soviet leader, Mikhail S. Gorbachev, in April by two Texas Democrats, House Speaker Jim Wright and Representative Mickey Leland, the chairman of the House Select Committee on Hunger.

The United States was to provide grain and the Soviet Union was to provide planes, helicopters, trucks and ships, Mr. Wright said. "At each delivery point, there could be a Soviet and American person," he noted.

Mr. Gorbachev found the proposal "very interesting" and proposed further talks, Mr. Wright said. The speaker said he mentioned the proposal to Secretary of State George P. Shultz and his reaction was "not what I'd call an expression of wild enthusiasm, but he didn't say 'Don't do that.'"

Mr. Wright said he met last month with Chester A. Crocker, assistant secretary of state for African affairs, and was told that the Reagan administration preferred working through United Nations disaster relief office in Maputo, the Mozambican capital.

Several U.S. officials said they believe it is highly unlikely that the Reagan administration will accept a partnership agreement with Moscow in Mozambique, where a Marxist government is building a self-described anti-communist insurrection.

### ■ Rebels Attack Bases

Rightist Mozambican rebels said Tuesday they had attacked military bases inside Zimbabwe for the first time, Reuters reported from Lissabon.

### Egypt Raises Sugar Price As Part of Pact With IMF

Reuters

CAIRO — Egypt increased sugar prices on Tuesday by 8 percent as part of an agreement with the International Monetary Fund that provided Cairo with \$325 million in credits.

The cost of 2.2 pounds (one kilogram) of sugar rose to 65 piasters (30 cents) from 60 piasters. Government stores will continue to sell 2.7 pounds of subsidized sugar for 10 piasters to people with ration cards.



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**RAMSES HILTON**

## Du Pont's Controversial Ideas Are Drawing Attention

By E.J. Dionne Jr.  
*New York Times Service*

DES MOINES, Iowa — Quietly but persistently, serious Republicans are asking this question: Is Pierre S. du Pont 4th on the way to becoming a serious contender for the Republican nomination for president?

On the face of it, that status would seem a long way off. Mr. du Pont still hovers at about 1 percent in polls of Republicans, both nationally and in Iowa.

Until Mr. du Pont announced his candidacy last year, almost no one thought of him as a potential president. But for the moment, Mr. du Pont is enjoying the attention.

But if there was unanimity on anything at this past weekend's Midwestern Republican Leadership Conference in Des Moines, it was that Mr. du Pont was the Republican presidential candidate who did himself the most good.

"He has a lot of very realistic ideas," said Paula Damke, a party leader from Lincoln, Nebraska. "He was very impressive."

Arliss Brown, also of Lincoln, was impressed as well. Her only doubt was the main plague of the du Pont candidacy: "People don't think he can win it," she said.

But one impressive weekend at one Republican "cattle show," as politicians call the joint appearances of presidential candidates, does not a candidate make. And some of the ideas that Mr. du Pont uses to get attention may be in the end, the undoing of his candidacy. But for the moment, Mr. du Pont is enjoying the attention.

He has built his candidacy on these proposals:

- He would gradually end all farm subsidies over five years. Mr. du Pont argues that farming should

be part of the free market like most other economic activities.

- He urges the scrapping of Aid to Families With Dependent Children and other welfare programs, replacing them with compulsory work at 90 percent of the minimum wage. "If you don't work," he says, "nearly always to applause, 'you don't get a check.'"

- He would make Social Security payments partly voluntary by allowing participants to place their contributions for an entire year in an Individual Retirement Account. For each year a taxpayer dropped out of the program, his or her private Social Security payment would be cut by 1-40th.

- There should be mandatory drug testing for high school students.

- Every American would be eligible for loans for education or retraining. The government would

guarantee the loans. The program would apply as much to students as to displaced workers. "People should be empowered to invest in themselves," he says.

What ties these ideas together is Mr. du Pont's modified libertarian philosophy, a view that individuals should make their own choices and be held responsible for them.

Representative Jack F. Kemp of New York, another Republican presidential candidate, argues that a politician who would tamper with Social Security "is a candidate for a frontal lobotomy." Mr. du Pont says he is "surprised at Jack for defending the status quo."

If Mr. du Pont is to have a real chance at nomination, the mechanics are rather simple: He will spend most of his time in Iowa and New Hampshire, preparing for a respectable finish. If he were to oust Mr. Kemp in the caucuses in Iowa next winter and run third, he might be on his way.

Expectations of him are so low that he does not have to do any better than that to stay in the race a while longer.

Mr. du Pont, a former Delaware governor, had a rather liberal record when he served in the House of Representatives. He says he moved from fairly conventional moderate Republicanism to his current view when he saw the positive impact of tax cuts on the Delaware economy. His conversion to "supply side" conservatism, he insists, has nothing to do with political expediency.

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Expectations of him are so low that he does not have to do any better than that to stay in the race a while longer.

Following the death of the Islamic art historian, Antony Hutt, some 18 months ago, a part of his important and superb collection has now been released by his mother to A Wellesley Briscoe and Partners Limited for a

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Antony Hutt died in October 1985 at the early age of 53, after a period of ill health.

He had been educated at Mill Hill and Worcester College, Oxford. After a period on the Stock Exchange, travelling and running his own art gallery in London, he returned to academic life at Oxford and American Studies, University of London, where he increased and resumed his life-long passion for the art of the Middle East. His studies led to several periods in the Middle East where he also served as Assistant Director of the British Institute of Persian Studies in Tehran.

His academic studies, writings and acquisitions were especially related to Iran where he collected and travelled extensively.

His long association with the major Islamic festivals, especially those in London in 1971 and 1976, which he was instrumental in organizing, and the International Carpet Conference, meant that exceptionally important and magnificent collections passed through his hands.

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### Short Takes

California has taken another big step toward cleaning up its smoggy air. The state, which has led the country in controlling automobile pollution, is promoting the use of methanol, a form of alcohol made from natural gas and coal, that is less polluting

— ARTHUR HIGBEE

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## Irish Ayes and Europe

Ireland, at last, has said aye to the European Community's harmless little amendment to the Treaty of Rome allowing more majority voting, and thus a bit less delay, in the construction of a genuinely free European market by 1992. Sensibly, the Irish voter rejected the thesis that this menaced the country's traditional neutrality, with NATO under the beds. The Single European Act can now operate. Will it bring faster progress?

This is not Europe's most glorious moment. It has become increasingly inward-looking. Far from creating its own economic unity and then moving toward broader horizons, it seems bogged down.

Internal war is rife. The dispute about farm prices, a hardy annual, drags on, and longer-term reform of the extravagant Common Agricultural Policy remains talk rather than action. Some small progress has been made to reduce excess output of milk and beef, but there is no advance on grains, which Europe grows at vast expense compared with world prices. There is deadlock on the revision of the system whereby farmers are protected against changes in exchange rates, which means that revaluation of an over-strong currency has no effect on the incentive to the West German farmer, for example, to overproduce. The nonsense is compounded by the latest proposal to put a new tax on vegetable oils and fats — margarine and olive oil, for example — in order to subsidize the Europeans who produce them at high cost. Just why pur-

tting up the price of these products will reduce the cost of subsidizing the producers is unclear. The tax would reduce demand but not the incentive to produce.

External war is also rife. When Portugal and Spain joined the Community, their external tariffs started to fall toward the average for the EC as a whole. Now the Community threatens to raise tariffs against Japan on the grounds that Japanese exporters have had a windfall gain. The Community was supposed to be the precursor of free trade the world over. If barriers against the rest of the world go up every time EC membership expands, the best hope for free world trade could lie in contraction of the Community.

The Single Act is supposed to reinforce the political as well as economic cooperation between governments. Institutional development — more officials — has already begun. The first fruits hardly promise an early and bountiful harvest. The attempt to produce a statement of principles for post-apartheid South Africa, assuming that this golden aim were ever approached, has been blocked. If ever there was a subject on which democratic Europe should show unanimity, South Africa should surely rank high on the list.

Talking big but acting small is common in international politics. Slowly, Europe may get its game together and reveal a constructive attitude toward the world. The new act may be a small step forward. But the recent signals need to be changed.

INTERNATIONAL HERALD TRIBUNE

## A Dream Come True

The first wonder in the tale of Mathias Rust was the picture of the little Cessna parked in front of the fantastical onion domes of St. Basil's Cathedral. A 19-year-old West German really had flown into the heart of Moscow, buzzed Lenin's tomb and landed beside the Kremlin Wall.

It was a tale full of wonders. How could Mr. Rust have crossed some 640 kilometers (400 miles) of the world's most vaunted air defense? The Russians said it was not for want of detection. A comment by Mr. Rust that he had had "short contact" with a Soviet Air Force jet about an hour into Soviet airspace supports that.

If the plane had been detected, another wonder followed: No one did anything about it. This is where the "human error" lay, according to the Foreign Ministry spokesman, Gennadi Gerasimov: the correct strategy would have been to force the plane down, he added. That invited comparison with the reaction when Korean Air Lines flight 007 entered Soviet airspace in September 1983; it was callously shot down, killing all 269 aboard. Mr. Gerasimov clearly had that in mind when he told Western journalists: "You criticize us for shooting down a plane, and now you criticize us for not shooting down a plane."

— THE NEW YORK TIMES.

## What Boland Is About

What after all, is the Boland amendment? Mr. Reagan's critics insist that it is a law, by which they mean that it is a hard and fast, specific and comprehensive statute that be or others violated and for which they, and perhaps also he, must somehow pay — by political disgrace or by being held to account on derivative perjury or conspiracy charges or conceivably, in the president's case, by impeachment. The president's defenders hold that the Boland amendment in its several versions is basically a congressional policy statement that advises the president and limits some of his options but does not remove his capacity to conduct policy and certainly does not remove his capacity to conduct policy by means not explicitly outlawed.

This is the broad context in which so many interested parties to and observers of the Iran-contra hearings have come to sound like constitutional lawyers. Does the Boland amendment, it is asked, cover simply the activities of executive departments or also the activities of the president's National Security Council staff? Does it bar not only the use for the contras of appropriated funds but also the use of private and foreign funds that Ronald Reagan, Oliver North and others scrounged up when appropriated funds were proscribed? Does its power of the purse give Congress the upper hand? Or is the president liberated by the countervailing doctrine of separation of powers and by his constitutionally endowed power to conduct foreign relations?

— THE WASHINGTON POST.

## Other Comment

### The Flight to Red Square

[Mikhail] Gorbachev, instead of forcing the early retirement of Defense Minister Sergei Sokolov, could have boasted that under his leadership the Soviet Union had nothing to hide from the world.

Mr. Gorbachev could still make use of this daring stunt by the young German pilot to get rid of deadwood in the Soviet military. And he should cover it with a sense of humor by, for instance, inviting Mathias

Rust to a welcoming reception. The world has a soft spot for political leaders with the inner freedom to laugh at themselves.

— The Jakarta Post

It may appear to us as the greatest practical joke of all. But there certainly have been a lot of red faces in the Soviet hierarchy. It may be called an act of teen-age devilry, but the breaching of the airspace of a country is also a criminal act.

— The Nation (Bangkok).

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## OPINION

### The Young Man Landed in Every Capital

By John E. Ullmann

**N**EW YORK — The flight of Mathias Rust's Cessna into Red Square is no occasion for finding comfort in the Soviet Union's discomfort. The young pilot sent a message to America about its defense system — especially about "star wars" — and to other nations about theirs, too.

Once again we see the dramatic failure of complex technological systems that rely at crucial points on humans. Once again we see that the technology that is supposed to enhance national security fails, and thus diminishes it.

It is hardly news to the United States that a small plane can duck under a radar screen. U.S. drug enforcement agencies contend with such intelligence reports. Moreover, this happened a few months after the Challenger disaster and a succession of failures of other rockets.

The inquiries into these events demonstrated a common pattern: a combination of human and equipment failures. Like the flight to the Kremlin, these malfunctions have been independent of the political systems that produced them. In other words, it is crucial for both superpowers to recognize the limits of such systems.

There is a real danger that this lesson will not be learned. The American reaction to the attack on the Stark was to escalate the navy's role in the Gulf and to place U.S. naval forces there on high alert.

Surely, we can expect that the defenders of Soviet airspace will also be placed on higher

alert, with orders to shoot more quickly, as in the case of American ships in the Gulf.

In short, the Cessna and Stark affairs mean that trigger fingers will turn much more quickly — and that the world is placed in increased jeopardy.

Since the beginning of the machine age, engineers' answer to human frailty has been, "We'll automate human intervention away." They forget that machine systems are human creations and thus have limits of reliability. Their kind of "thinking" leads to leaving life-and-death decisions to erratic computers.

Thus, in assessing the feasibility of the Strategic Defense Initiative we must pay attention to the limits and reliability of technological systems. Predictably, SDI proponents are dismissing the warning inherent in the Cessna incident. But common sense tells us that we cannot rely on their claims about the protection that the SDI will provide. For example, its proponents have always excluded nonmissile delivery systems from their equations.

The bottom line of the Cessna incident is that with ever greater sophistication of weapons, shorter reaction times and increasing technology failures, the war system has come to a dead end.

The writer, an engineer, is professor of management and quantitative methods at Hofstra University in Hempstead, New York. He contributed this comment to The New York Times.

### From Biden, A Bit Too Much Fuzz

By David S. Broder

**C**AMBRIDGE, Massachusetts — Believe me, there was no coordination. But when Senator Joseph Biden came here the other day in his campaign for the Democratic presidential nomination, he took up the challenge laid down recently in this column (*IHT, May 26*) to the contenders: Tell us what standards you would use in deciding whether to intervene in world hot spots.

The dilemma, an old one, confronts U.S. foreign policy today in both the Gulf and Central America.

As ranking Democrat on the Senate Foreign Relations Committee, with acknowledged expertise on arms control, Mr. Biden was a fine person to start the dialogue. But his speech revealed a temptation to fuzz the issue. I missed the speech, but from his aides and several spectators encountered later, it is evident that the audience sensed the same thing.

The Delaware senator has no difficulty making himself plain when he wants to. Confronted by a member of the Harvard audience who had backed Gary Hart and thought Mr. Hart had received a raw deal, Mr. Biden made three quick, notably un-sentimental points. First, "I was the only one [of the contenders] dumb enough to think Hart was telling the truth" about his fateful escapade "and defend him publicly." Second, "if I stayed in the race, I would have beaten him, because I'm a better candidate. And third, I'd make a better president than he would have."

Mr. Biden portrays himself as a spiritual disciple of John F. Kennedy. To his credit, he told the audience that Kennedy's celebrated inaugural words needed amendment today: "While we cannot pay any price and bear any burden, we must pay the right price and bear the right burden."

Since Vietnam, most Democrats have had a hard time subjecting their moralistic impulses on foreign policy to the disciplined calculus of national interest and available power. In his formal speech, Mr. Biden acknowledged the dilemma and set himself the task of finding "the combination of commitment, pragmatism and moral purpose that should be the hallmark of American foreign policy."

He outlined three criteria for determining "the extent of American involvement that is warranted" in any case. The first is a national interests test: "Are they vital or not? Does the country or region in question matter to us strategically?" The second is a moral test: "Will our commitment promote the values America champions?" The third test is pragmatic: "Will the policy ... accomplish our stated objectives?"

Where all questions can be answered affirmatively, Mr. Biden said, "the president will be able to take action with the nation united behind the policy." Sure. And a guy who can run, hit field and throw a baseball will be in anybody's lineup, too. The hard cases are those where morality, national interest and capacity to influence events come into conflict.

Mr. Biden said that America should be committed to the security of Europe. But that has not been seriously questioned for 40 years. The United States should not be intervening in Nicaragua, he said, without really explaining why. Then he discussed U.S. policy toward South Africa in a way that made you wonder if he believed in his own criteria.

Did the focus on that nation suggest that Mr. Biden thinks it has priority on America's foreign agenda? Does he believe the United States can project power easily there?

He did not argue any of these views, though consistency might seem to require that. Instead, Mr. Biden treated the audience to a full blast of the same sort of moral righteousness he displayed during last year's debate on South African sanctions.

Indeed, only minutes after he had argued that a realistic evaluation of American interests must be one of the tests of any foreign policy decision, Mr. Biden said of U.S. actions toward South Africa: "There are too many in Washington who say, 'Go slow,' or 'Be careful not to jeopardize our strategic interests.' Where is the moral backbone in these words?"

Mr. Biden has made much of his experience on the Senate Foreign Relations Committee. He angered Governor Mario Cuomo of New York by suggesting that governors are more novices in this field. The Harvard speech suggests that Mr. Biden is a long way from refining his experiences into a clear set of standards — or even a position consistent enough to maintain for the course of one speech. Give him an E for Effort. But ask him to keep working on the assignment.

### IN OUR PAGES, 75 AND 50 YEARS AGO

#### 1912: The Lighter News

**N**EW YORK — A.W. Herzog, who comes from Austria, and is stopping at the Ritz-Carlton, was arrested for smoking in the subway. In court he was much perturbed by stock market reports and said he was losing \$1,000 a minute. He was fined \$3.

E.F. Lamberti, who started from Seattle over a year ago on a 25,000-mile walk, is nearing Portland, Maine. He and his dog "Jack" left Boston with 12,390 miles to their credit.

**P**HLADELPHIA — Michael Lozika, 7, has had his lost speech restored. The youngster fell several months ago and afterwards was unable to utter a sound. He was playing near his home, when he went up to a mule grazing in a lot. With a vicious kick, the mule sent Michael hurtling through the air. Mrs. Lozika ran to her boy, expecting to find he had been killed. Instead, he greeted her with, "Hello, ma, I ain't hurt."

#### 1937: Aviation Feats

**C**ARAPITO, Venezuela — Amelia Earhart arrived here [June 2] from San Juan, Puerto Rico, after a flight of six and a half hours. Miss Earhart had covered the first lap, from Miami to San Juan, of her round-the-world flight in seven and a half hours.

**M**OSCOW — Mixed with Bolshevik pride in the skill of Soviet flyers who recently landed four planes at the North Pole and established a permanent polar station is awareness of the sharp contrasts between this feat and former exploits in Arctic exploration.

It is chiefly socialist planning to which Soviet leaders point in applauding this polar triumph, but they do not forget the 10-year-old campaign to civilize the Arctic wilderness. The Soviet Union has undertaken to transform the frozen tundras and ice floes into habitable, productive areas, and the North Pole station is intended to facilitate this task.



### Shanghai's Crowded Streets Augur Ill for the Nation

By Jay Mathews

Now they must cope along in the drastically narrowed streets.

In one sense, this means the Chinese are doing very well. Our closest friends here, college-educated city workers, my wife and I knew when we lived in China, now have refrigerators.

Many have secured bigger apartments. The latest campaign against "bourgeois ideas" seems to limit only public discourse. Private talk remains lively. Well-connected Chinese, such as one Politburo family, say control is essential for discipline, unity and security. Is it likely to be relaxed?

The youth want change, but they have no idea of any alternatives. They also know that the state is too powerful to challenge. Cosmetic changes such as colored clothing are aimed mainly at them, as are propaganda campaigns like the one against "bourgeois liberalism."

Traveling in China has persuaded me that the purpose of the "Deng reforms" was to encourage efficiency, production and technological progress — not economic liberalization or democracy. Beijing spread the notion

that the birth-control issue, after hovering around 2.1 percent, dropped to 1.76 percent in 1980 with the advent of the one child per family policy.

The "One Child Is Best" billboard I used to pass every day in Beijing has been replaced by an appeal for health consciousness. It may take a big rice crop or two to remind us Westerners why we need to worry about this. All the other changes in China these days have pushed the birth rate into the background.

Publicity has never been essential to reproduction. The Chinese popula-

tion passed the one billion mark in late 1981. It has grown by an additional 60 million people since then, more than the population of France.

That growth has not gone unnoticed in Beijing. Judith Bannister, China branch chief at the U.S. Census Bureau's Center for International Research, has followed Chinese birth-control policies and patterns for years. A new official Chinese survey, in which 600,000 people are sampled each year, offers the best data we have ever had on Chinese growth.

The Chinese birthrate, after hovering around 2.1 percent, dropped to 1.76 percent in 1980 with the advent of the one child per family policy. A lower minimum marriage age allowed the rate to return to 2.1 percent in 1981 and 1982; more intense application of the one-child policy pushed it down again to 1.86 percent in 1983.

At this point reports of forced abortions and the murder of female infants, less desired than males, reached the West. The birthrate dropped to 1.75 percent in 1984 and was 1.78 percent in 1985, but at a high cost.

In late 1984 the Chinese press began to signal a change. Ms. Bannister and other Western researchers learned that a still unpublished "Document No. 7" had been issued in Beijing in April, softening the program. An appeal for "fair and reasonable" population control, clearly a phrase taken from the Chinese newspapers. Given a choice between more growth and more popular discontent with the Communist Party, the Politburo took the lesser of two evils, and the results quickly showed.

Newly released official survey figures show the birthrate up to 2.08 percent, with the death rate, as usual, hovering around 0.6 percent to 0.7 percent. In a country where the vast majority of rural elderly can depend only on their sons for support, boy babies are preferred. In some provinces rural couples who produce a girl first are now allowed a

## OPINION

## I, Yegor: The Hard-Liner In Gorbachev's Shadow

By William Safire

NEW YORK — I have to marvel at the good luck of Comrade Gorbachev. He needed to sweep aside the old caretaker at the head of the Red Army without giving power to a marshal like Nikolai Ogarkov or Sergei Akhromeyev, who might have asserted the army's traditional role in the Kremlin. Along came a German teenager who made fools of our military by landing his plane in Red

## ESSAY

Square, and Mr. Gorbachev had the excuse he needed to slip in a junior officer.

As secretary of the party — the one the Western press likes to call the "number two man in the Soviet Union" — I, Yegor Kuzmich Ligachev, must now assess the meaning of this move to those of us who do not share the Gorbachev ardor in promoting *perestroika*, the reordering of the power elite. (Glasnost is merely a mode of play; *perestroika* is what the game is about.)

With the army neutralized, the KGB's domination of the party through Mr. Gorbachev is seemingly assured. But resistance to KGB rule is growing in the party, especially among those elements who fear the need to introduce market-commodity forces. These party men seek some of the old Gorbachev clique who is more "conservative," more willing to slow the *perestroika* by appearing to oppose the speed of glasnost. That person, of course, is me.

However, young Comrade Gorbachev is no fool; he understands the need to turn on one's supporters before the opposition can enlist them. That is why I am his next target. I am too acceptable as his alternative — trusted by the Andropov KGB men, while not so distrusted by the old Brezhnev party apparatchiks.

If I were Mikhail Sergeyevich, I would arrange for the transfer of Yegor Ligachev or any other potential rival to some remote electrical station. As a first step, he has saddled me with the agricultural portfolio, and seeks to replace me as ideological chief with his propaganda minister, Alexander Yakovlev.

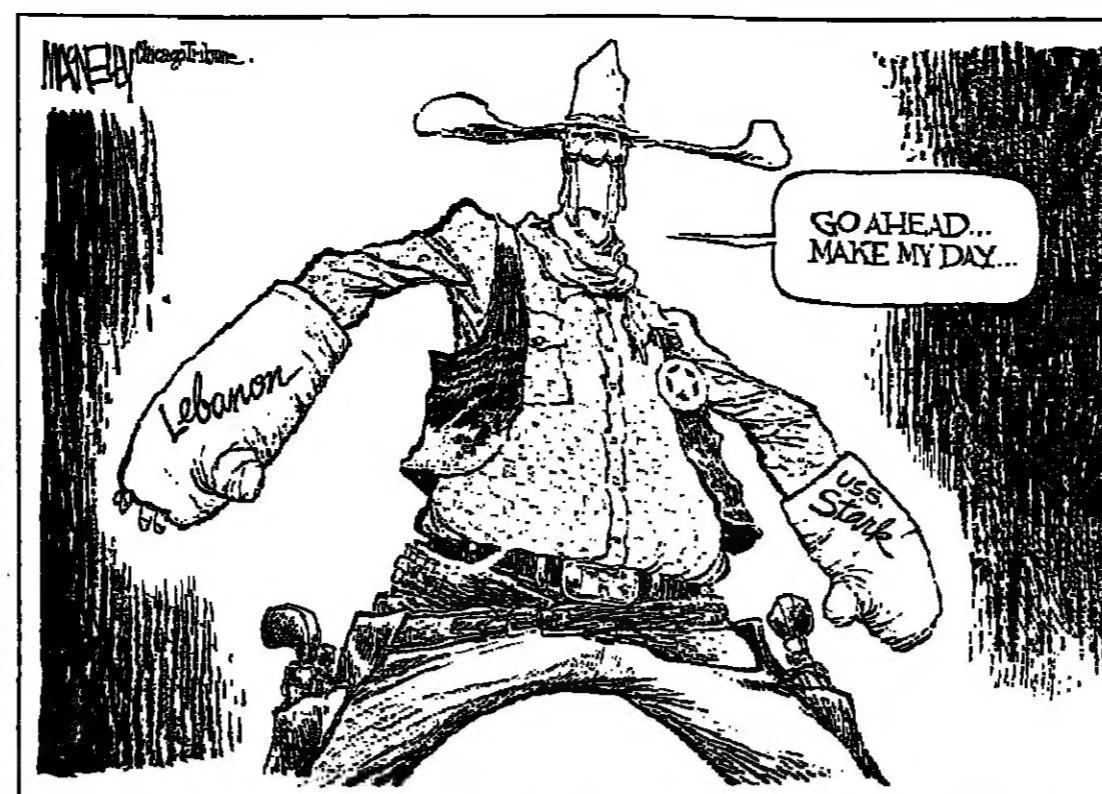
But I am wise to that trick. My Siberian party roots were nurtured by the

## Contention in the Kremlin

Most Soviet people are angry, believing that Mikhail Gorbachev is undermining Soviet ideology more effectively than foreign propaganda could. Yegor Ligachev, the number two in the Kremlin, has openly challenged Mr. Gorbachev's position on history. The Gorbachev drive against Stalinism, it seems, can only increase Soviet polarization and exacerbate tensions in the Kremlin.

— Vladimir Shlapentokh, an emigre professor of sociology at Michigan State University, in the *Los Angeles Times*.

The New York Times



## LETTERS TO THE EDITOR

## The Fate of Deportees

Why is it that The Washington Post editorial writer has "misgivings" about the deportation of Karl Linna (IHT, May 7) and not a second thought about the United States's deportation of political refugees from Guatemala and El Salvador? The editorial notes that Linna was put into the hands of the Soviet criminal justice system, which has very different standards from America's. Do the "criminal justice" systems of El Salvador and Guatemala have the same standards as those of the United States?

Many thousands of people in those two countries have been executed by military, paramilitary and far-right death squads in the past decade because of their political beliefs, ethnic backgrounds, or simply because they were in the wrong place at the wrong time. Those who flee such persecution are deported into the hands of the police in these countries every day with no fanfare and considerably less litigation than what Linna was afforded.

Upon their return, they may face execution — or death by torture. Perhaps it is time that the public and the press begin having misgivings about the definition the Reagan administration uses for political refugees — misgivings, for that matter, about all of President Reagan's policies in Central America.

PETER HOPPMANN, Chengdu, China.

Atis Lejins's argument (Letters, May 19) against the lawful and overdue extradition of Karl Linna to Soviet Estonia, there to be tried for war crimes, was

specious. Linna's crimes against the Soviet people (Estonians, Letts, Lithuanians and Jews included) has nothing to do with the alleged independence of the Baltic states. The most loyal Bolshevik cadres were the Latvian guards. And the fact is that Estonia was a Soviet state during the period in question, whether the United States and other Western nations chose to recognize it or not.

Furthermore, Mr. Lejins concluded that since Linna worked for the Germans, he should rightfully be handed over to West Germany for prosecution. This assertion is almost too much to believe. This implies first that West Germany is only Germany (what about the German Democratic Republic?) and, just as specious, that the crimes against humanity perpetrated by the Germans under the Third Reich were somehow an internal problem.

Following this logic, France should hand Klaus Barbie over to the "true" German authorities in Bonn, where he would receive a "fair" trial.

M.P. SCHAPIRO, Hamburg.

## Marshall and Molotov

In "Forty Years On, Another Fork in the Allies' Road" (May 23), James Reston was no doubt unintentionally misleading in stating that all European Communists governments were invited to participate in laying the groundwork for the Marshall Plan but that "all refused." In fact, Molotov led a large Soviet delegation to a Paris meeting, from which they later withdrew.

In light of the strenuous efforts need-

ed later to persuade the U.S. Congress to approve the Marshall Plan legislation and appropriations, this action followed by the creation of the Cominform was most fortunate, because anti-Soviet feeling was largely the basis for congressional approval.

ALFRED E. DAVIDSON, Paris.

## The Price of Knowledge

As a former American university professor, I would like to point out that Edward B. Fiske's report, "In U.S. Harsh Debate Over Why College Costs Rose So Rapidly" (May 13), omits two important factors contributing to the impossibly high cost of college education.

First, many universities maintain what are in reality professional athletic programs with huge budgets. The abuses of this system are well known.

Second, the majority of senior faculty members — particularly the so-called superstars, men and women who receive very high salaries by academic standards — may teach only two or three hours a week. Their time is devoted to attending conferences and giving papers, directing dissertations and doing research. Classroom work is done largely by underpaid teaching assistants.

Even to apply to a U.S. university is expensive. The director of admissions of a prestigious small college recently admitted to me that the universities are afraid of centralization; this fear, he added, would probably make it impossible to simplify the application process.

DONALD J. LEVIT, Larrabasterra, Spain.

## GENERAL NEWS

## ISRAEL: The Barriers Are Gone but Jerusalem Remains Sharply Divided

(Continued from Page 1)  
we'll solve them over the next 200 to 300 years."

The history of modern Jerusalem is to a great extent a story of neighborhoods, traffic arteries and land-use plans and the ways such planning tools can be used to serve political ends.

When the barriers came down 20 years ago, Jerusalem was a provincial backwater, stunted and disfigured by 19 years of physical separation after Israel gained independence in 1948 and fought Jordan to a draw.

As Jewish immigrants poured into the new state from Arab countries in the early 1950s, many were transplanted into grim, fortress-like apartment complexes along a no-man's-land. Many apartments had slits suitable for marksmen, and the buildings were arranged in angular configurations designed to impede a tank assault.

These neighborhoods remain among Jerusalem's poorest. Their younger residents were the shock troops in the anti-Arab violence in November.

The residents of these neighborhoods, said Alan Freeman, a spokesman for the Jerusalem Foundation, "lived through all those years under a siege mentality and they still retain a siege mentality even in the second generation."

After the 1967 war, Israel decided to annex East Jerusalem and adjoining areas to signal to the world that it would never permit the city to be divided again. The idea, said the city architect, David Kroyanker, was to claim "maximum land and minimum Arabs, to put it bluntly."

— David Kroyanker, city architect

Mr. Kolek contend that many Jewish donors to the foundation refuse to allow their money to be used for an Arab project. The clinic, they say, still needs about \$3 million.

Inequities are likely to continue, city officials argue, as long as Arabs refuse to play a role in city politics.

For years Mr. Kolek has tried to cajole Arabs into running for city council. But such an action would constitute recognition of the legitimacy of Israeli rule, something no East Jerusalem Arab is prepared to do publicly.

When Israel took control in Jerusalem, Arab residents were allowed to apply for Israeli citizenship. Only about 1,000 did so, while the rest retained Jordanian passports. Since then the city has tripled in size and doubled in population to 475,000. There are 340,000 Jews and 135,000 Arabs, of whom 121,000 are Moslems.

Seven new Jewish neighborhoods were built along the outskirts on former Jordanian territory, communities that ring Arab areas and cut them off from the occupied West Bank and Jordan. The city has built more than 26,000 apartments for Jews since 1967. It has built 450 for Arabs.

Early on, long battles were fought between Israeli officials and their new Palestinian subjects, who refused to recognize what they considered Israel's illegal usurpation of authority over their lives.

Mr. Kolek lists many improvements the city has made in East Jerusalem: doubling the number of classrooms, paving 60 miles (about 100 kilometers) of roads and building 40 miles of sewage lines.

Despite the lack of public housing, the Palestinian population has nearly doubled in 20 years, with Jordan and the PLO at one point supplying grants to builders.

But each side measures achievement by its own yardstick. While the city boasts that the Arab infant mortality rate has been cut by two-thirds, Palestinian physicians note that it is still double that of the Jewish community. There are four clinics for mother and child care in East Jerusalem, and 28 in the rest of the city.

Mr. Kolek likes to point to the Sheik Jarrah Clinic, an Arab community health center in the Arab sector, built with about \$6.5 million from his Jerusalem Foundation.

But Nafez Nubani, the physician in charge, says the clinic is far from complete because of a shortage of money and manpower. Both he and

identics say is an ironic fruit of the annexation of their city.

"We've developed the emotion, the heart and a common sense of political identity that we did not have under the Jordanians," says Sari Nusseibeh, professor of Islamic philosophy at Bir Zeit University. "We've built an infrastructure in which every aspect of life helps provide the basis for a future state."

As a result, many Palestinians insist that Mr. Kolek's efforts to make Arabs part of the polity of Jerusalem have not succeeded.

"For me the invisible border still exists," said Daoud Kuitab, a Palestinian newspaper editor.

The law says that Me and Me can operate on the Jewish Sabbath. But Jerusalem's ultraorthodox believe Judaism's holiest city should honor God's laws, and they have lobbied to close movie houses, restaurants, sporting events and anything else that, in their view, defies God's will. When persuasion and money have not worked, rock-throwing mobs often have followed.

For generations, the black-hatted *haredim* — the term means "those filled with awe" — lived confined to the narrow back alleys of Mea Shearim, an isolated compound that resembled a medi-

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Tomorrow: The Palestinians

## Soviet May Hold Pilot For Months, Bonn Says

*The Associated Press*

**BONN** — The Soviet Union may hold Mathias Rust in prison for months before deciding whether to charge him for his flight across Soviet airspace and landing in Red Square, a West German Foreign Ministry official said Tuesday.

The Soviet authorities "are carrying out their investigation into the case now and that could take several months," said the official, who asked not to be identified.

But the official added that while the investigation of Mr. Rust's flight could be concluded more quickly, "it is not known what will happen."

The Bild newspaper, citing an unidentified Kremlin informant, reported that Soviet officials were likely to sentence Mr. Rust, 19, to at least one year in prison.

The source said that Soviet authorities felt compelled to take stern action to discourage others from attempting to duplicate the flight. Foreign Ministry officials declined comment on the report.

Mr. Rust flew a single-engine Cessna across 420 miles (680 kilometers) of Soviet territory, landing Thursday.

### ■ Criticism of Military

Pravda assailed elite Soviet military schools on Tuesday for producing bad graduates, Reuters reported from Moscow.

The Communist Party newspaper published excerpts from letters by two colonels complaining that the schools were full of spoiled children from affluent families who would prove to be incompetent commanders in a war.

The article drew no connection with the flight of Mr. Rust. But Western diplomats said the letters provided a clear indication to Soviet readers who knew about the flight that the military had been disgraced for failing to stop it.

The official media faced with the problem of explaining how Mr. Rust slipped through air defenses, have not reported that he landed in Red Square and have published no foreign reaction to the flight.

Defense Minister Sergei L. Sokolov, a vocating member of the ruling Politburo, was reined on Saturday and the commander of Soviet air defense forces, Marshal Alexander I. Koldunov, was dismissed over the incident.

A Defense Ministry report cited "intolerable unconcern and indecision" in connection with the violation of Soviet airspace.

The dismissals left the military with no representation in the country's highest body. The new defense minister, Dmitri T. Yazov, is not a full member of the party's policy-making Central Committee.



Neil Kinnock, the Labor leader, with big wheels at a factory in Derby.

## Cambodia Accused of Rights Abuses

By Michael Richardson  
*International Herald Tribune*

**SINGAPORE** — Amnesty International presented evidence Wednesday of hundreds of cases of detention and torture of political prisoners by the Vietnamese-backed government in Phnom Penh.

In the 84-page report, the London-based human rights organization said that more than 400 men and women were believed to be imprisoned on political grounds in Cambodia. It described alleged human rights violations in the country as "severe."

Amnesty International said it had received information on more

than 160 cases in which prisoners were tortured during interrogation, and of deaths among some of those interrogated.

The group said this torture was carried out by agents of the civil police, military and other security services of the Phnom Penh government established in 1979 after Vietnamese forces ousted the Khmer Rouge. The report documented abuses through 1983.

Amnesty International alleged that Vietnamese advisers were sometimes present during torture sessions held by the Cambodian government of Heng Samrin and occasionally took part in the torture of detainees.

It said that Vietnamese personnel had also reportedly tortured political prisoners in detention centers in Cambodia operated by Vietnam.

The forms of torture included beatings with sharp wooden staves and iron bars, whipping with chains and rubber hoses, electric shocks, and burning with hot irons, Amnesty International said.

Some detainees, the group reported, were "prisoners of conscience," jailed solely for the nonviolent expression of their political opinions or for exercising their rights to free association or free movement.

Contacted by telephone on Tuesday, an official at the Vietnamese Embassy in Bangkok denied that

there were political prisoners in Cambodia. He said that a number of "Pol Pot criminals" were in prison but were not mistreated.

Mr. Pol Pot was the leader of the Khmer Rouge when it was in power in Cambodia from 1975 to 1979. Hundreds of thousands of Cambodians died because of Khmer Rouge repression.

Amnesty International said that although the main focus of its report was on conditions inside Cambodia, it was also concerned about information it had received concerning political killings, torture and other human rights violations committed since 1979 by the Khmer Rouge and the Khmer People's National Liberation Front, a non-Communist group.

Spokesmen for the two groups could not be contacted in Bangkok. The Khmer Rouge and the Front formed a loose coalition with a third Cambodian faction in 1982 to oppose Vietnam's occupation of Cambodia and the Phnom Penh government.

Amnesty International said its main source of information came from detailed interviews last year with former Cambodian political prisoners, former Phnom Penh and coalition government security officials, and close associates of detainees.

It said that its team of investigators had been denied access to Cambodia.

## AIDS:

### U.S. Allows Tests

(Continued from Page 1)  
severe side effects. Several other drugs are being tested.

### ■ Retrovirus Is Discovered

Lawrence K. Altman of *The New York Times* reported from Washington:

The discovery of a virus that causes a disease in human beings resembling AIDS was reported Monday by Dr. Robert C. Gallo of the National Cancer Institute.

The virus, which has not been named, is a member of the retrovirus family that includes the one that causes AIDS. It was identified among 10 patients in Nigeria in cooperation with Dr. Chris Williams of Lagos and other scientists. Dr. Gallo said.

Seven of the patients had a disease indistinguishable from AIDS and three were sick with swollen lymph nodes and other symptoms that commonly occur with infection with the AIDS virus.

The new retrovirus does not pose any unknown danger and is "no reason for panic" about a new AIDS epidemic, Dr. Gallo said at a conference on the disease.

Rather, its main significance lies in adding yet another member to the family of viruses that can cause AIDS-like diseases in humans and other primates. The increased knowledge of these viruses may point toward better strategies for development of anti-AIDS vaccines and drugs and may also help scientists decipher the origin of AIDS.

Dr. Luc Montagnier of the Pasteur Institute in Paris has identified a retrovirus among West Africans that he calls HIV-2 and that his team says causes disease.

Dr. Max Essex of the Harvard School of Public Health has found a new retrovirus in African green monkeys, and still another disease-causing retrovirus has been found in other monkey species.

Dr. Essex's team has also identified people from West Africa a virus they called HTLV-4. The team has said the virus does not cause disease in humans. Recently, some scientists have suggested that this virus may actually be identical to one of the known monkey viruses.

A variant of HIV-2 has been identified by scientists at the National Bacteriological Laboratory in Stockholm from West African AIDS victims.

### ■ AIDS Disability Benefits

Officials of the Social Security Administration in Washington said Monday that they do not plan to expand the definition of persons who will automatically receive disability benefits because they have AIDS. The Washington Post reported.

The government's Centers for Disease Control had recently expanded its definition of AIDS to include persons who have less-developed cases in earlier stages. Many of them can work. He said the new definition appeared to be aimed at a part in improving scientists' ability to track the spread of the disease.

In cases where the AIDS condition is not fully developed, Mr. Rust said, the Social Security Administration will continue to require testing and examination of the individual's ability to work before deciding.

In other developments reported at the conference:

• AIDS is spreading steadily among the world's heterosexuals. One study suggests that the ability of AIDS victims to infect others climbs dramatically as the disease gets worse. Belgian scientists reported the case of a man who gave AIDS to 10 women before dying of the disease in July.

Dr. Robert Redfield of the Wal-

ter Reed Army Institute of Research in Washington said that heterosexual contact was "the major mode of transmission in the world and it will become the major mode in the United States."

• One in 30 of all American men 20 to 50 years old is infected with the AIDS virus, according to an estimate by Dr. James Curran, director of the AIDS program at the Centers for Disease Control.

Dr. Curran, describing a program to provide an accurate assessment of how many Americans are infected by the virus, said he accepted an estimate released a year ago by the Public Health Service that as many as 1.5 million people in the United States were infected.

Based on the health service's data, he said, one in 30 men between the ages of 20 and 50 are infected.

• South African researchers allowed bedbugs and mosquitoes to feed on AIDS-infected blood and then on uninfected blood. The researchers found no transmission of the AIDS virus to the uninfected blood.

• A French study found that many AIDS victims kept their disease secret, because "refusing help and support and continuing a normal life symbolizes hope."

The stress of suffering silently led to anxiety, insomnia, depression and memory problems.

## CONTRAS: Shultz Told Abrams to 'Monitor' North

(Continued from Page 1)  
in Washington chaired by Mr. Abrams.

The former ambassador had said the group, known as the Restricted Interagency Group, or RIG, also included Colonel North and the chief of the CIA's Central American Task Force, Alan Fiers.

Mr. Abrams said Mr. Tambs' job was to remain in contact with elements of the Nicaraguan rebels who were in Costa Rica, but not to get involved in guerrilla operations within Nicaragua.

It was in August or September 1985, Mr. Abrams said, that he first learned of the construction of a secret airstrip in northern Costa Rica using funds provided by "private benefactors."

He said he never asked Mr. Tambs to consult the Costa Rican government about the airstrip because Mr. Abrams did not want to be accused of violating the congressional aid ban by "facilitating" aid to the contras.

— the shoulder-held video cameras and satellite linkups that quickly provide images to the morning and evening news programs.

The importance of television became clear in the week of May 18, when the Tories appeared to be caught off guard by Labor's slick efforts to depict Mr. Kinnock as compassionate toward the sick, the elderly and the three million unemployed.

It was Mrs. Thatcher's success in television campaigning that prompted Labor to abandon its traditional tactics of knocking on doors and of ideological harangues.

"We decided 18 months ago we had to reconsider the entire campaign," said Mr. Kinnock's press secretary, Patricia Hewitt. "We knew '83 had been a shambles. So we started from scratch."

### ■ Poll Shows Tory Gains

The Conservative Party has increased its lead over Labor, according to an opinion survey published Tuesday in the London newspaper Today, nine days before the general elections, Agence France-Presse reported.

In the survey, 44 percent said they supported the Conservative Party. This was two percentage points more than a week earlier, the survey said. Labor, with 33 percent, was down two percentage points, while the Alliance was up one, to 21 percent.

## BARBIE: Wiesel Testifies

(Continued from Page 1)  
plies to the front even as the Allies advanced.

The extermination was often carried out by educated people, such as doctors and lawyers, with refined cultural tastes, he said.

"It was a murderous enterprise that worked to perfection," he said.

Two Jewish women, who between them lost five children at Auschwitz, spoke of their experiences and emotions after Mr. Wiesel. Their children were in a group of 44 deported to Germany from a children's home in the village of Izieu, near Lyon, in April 1944.

One of the mothers, Fortune Benguigui, 83, cried before the court as her lawyer, Serge Klarsfeld, read a letter to her from her eldest son, Jacques, which he wrote on Mother's Day in 1943.

The boy, who was then 12, was one of three children who Mrs. Benguigui lost from Izieu. When he wrote the letter, his mother had already been sent to Auschwitz.

Mrs. Benguigui shouted to Judge Andre Cardine: "We can't let this criminal finish like this. How many families did he destroy?"

Barbie is charged with rounding up the children.

After Mr. Wiesel gave his statement, one of the lawyers representing civil plaintiffs at the trial asked him for his views on French collaboration with the Nazis.

Jacques Vergès, Barbie's lawyer, has long threatened to turn the case into a trial of the French wartime record. The lawyers on the opposing bench appear to have adopted a tactic of pre-empting him by putting the relevant questions to witnesses themselves.

Mr. Wiesel, a Romanian-born U.S. citizen who was educated in France, said: "I did not live through that. I knew a generous France."

But he added: "The trial of that France must take place one day, it must confront its memories. But not in this context, not in the context of this trial."

Mr. Vergès, who said he had listened to Mr. Wiesel "with a lot of emotion," then asked the witness to explain his attitude toward postwar atrocities.

He listed the deaths of Algerian children in camps under French control during Algeria's war of independence, the killings at My Lai in Vietnam and the murder of the inhabitants of Deir Yassin near Jerusalem just after the creation of Israel in 1948.

Mr. Wiesel said that such tragedies "hurt, everything hurts," adding: "But we are talking of a tragedy that has no comparison."

Mr. Vergès then shouted at Mr. Wiesel: "So it is the French alone who have to cast a lucid look at their history?"

## Austria to Return Ex-Nazi Guard Deported by U.S.

VIENNA — Interior Minister Kari Blecha said Tuesday that he would send Martin Bartsch, who was a Nazi concentration camp guard in Austria in 1943, back to the United States. The official said Austria could not become a dumping ground for war criminals.

Mr. Bartsch, 60, was arrested on Monday. He was deported on Thursday and his U.S. citizenship was revoked. According to the U.S. Justice Department, camp records list him as responsible for a shooting death at the camp in 1943.

Mr. Bartsch, who was born in Romania, spent 10 years in an Austrian refugee camp before immigrating to the United States in 1955. He became a U.S. citizen in 1966.

Mr. Blecha said in a radio interview: "Austria cannot and should not come under suspicion of being a country where you can send war criminals or people suspected of war crimes who are undesirable persons in other countries."

U.S.-Austrian relations have been strained since the United States barred President Kurt Waldheim because of allegations that he participated in war crimes.

## SRI LANKA: India Is Cautioned to Halt Relief Flotilla

(Continued from Page 1)

southeastern part of the island. Sri Lanka's dominant majority of ethnic Sinhalese are Buddhists.

The Tamils, who are Hindu, make up less than a fifth of the island's population of 15 million people.

At an emergency session of Parliament this afternoon, Prime Minister Ranasinghe Premadasa denounced India for trying to intervene just as Sri Lanka had come "close to victory" over the Tamil guerrillas.

He called on New Delhi officials to "recognize the dangers inherent in the action they have adopted," warning that India's action would be misinterpreted by Sinhalese Tamils, who might retaliate against Tamils as they did in anti-Tamil riots in 1983.

Diplomats suggested that Colombo would probably not shoot at

the Indian boats, knowing that India could inflict much greater damage to Sri Lanka's smaller forces.

Until recently, India had sought to maintain friendly relations between Sri Lanka and the Tamil guerrillas, acting as a mediator in their on-and-off negotiations to settle the insurgency that began four years ago.

The guerrillas seek an independent nation to be known as Tamil Eelam in the north and east.

Although India opposes the creation of such a state, it has allowed the Tamils to use southern India as a sanctuary, political base and military supply center.

Indian politicians say New Delhi has to do this to maintain credibility with the guerrillas and not to retain the support of the 50 million ethnic Tamils in the area, who have close cultural and ethnic ties with Sri Lankan Tamils.

## GULF: Shultz Says More Aid From Allies Is Not Vital

(Continued from Page 1)

Mr. Shultz and Mr. Shevardnadze last met in April in Moscow.

### ■ Measures Not Adopted

The United States and Iraq have not adopted new procedures for identification and communication between ships and aircraft in the Gulf region, leaving vessels open to the same hazards that resulted in the attack on the Stark, according to a Reagan administration official. The Washington Post reported.

But the hazards are greater now for Iraqi planes because U.S. ship commanders are more alert to po-

tential dangers of approaching aircraft. Without an improved communications system, the official said, there is little to prevent "us from shooting down one of their planes" if it strays too close to a U.S. warship.

# Sweden's New Realities

## IN THE NEWS

### May 26: Two Swedes Charged in Arms Sale

Police charged a former director of Sweden's biggest ammunition maker and another Swedish businessman with smuggling several million dollars worth of explosives to Middle Eastern countries, including Iran, Syria and Egypt. The charges were the first in a three-year investigation into two companies, Nobel Kemi and Bofors.

### May 15: U.S. Eases Technology Rules

Sweden is the first country outside NATO to be granted the same access to sensitive U.S. technology as members of the alliance's Consultation Committee (COCOM). Big Swedish companies, government agencies and other major importers will, in most cases, no longer require export licenses for equipment bought in the United States. Secretary of Commerce Malcolm Baldrige said the easing of licensing rules is aimed at increasing U.S. industrial competitiveness.

### May 12: Palme Inquiry Finds Police Errors

The judicial official investigating the unsuccessful search for the killer of Prime Minister Olof Palme said the police committed elementary errors in the hours after the assassination on Feb. 28, 1986. The official, Per-Erik Nilsson, said the police failed to inform the military of the assassination, to set up roadblocks or airport controls and to cordon off a large area at the murder site, causing the possible obliteration of vital evidence.

### March 12: Ban Sought On South African Trade

The government proposes a ban on trade with South Africa and criticizes the United Nations for failing to impose mandatory international sanctions to force South Africa to end apartheid. The trade ban sets a deadline of Oct. 1 for Swedish companies to end trade with South Africa and South-West Africa, the territory controlled by South Africa. If approved by the parliament, the ban will take effect July 1.

### Jan. 30: Price Freeze Set

**To Head Off Labor Disputes**  
In an attempt to head off labor disputes, the government imposes a general price freeze on most goods and services. A clause in the two-year national labor agreement reached in April says that unions may renegotiate wage contracts if inflation exceeds 3.2 percent. The 1986 rate was 3.26 percent.

## IN THIS REPORT

### Tax Revision

The global push for cutting taxes has come even to Sweden, home of the world's highest taxes.

### Market Matures

Despite Fermenta's "scam of the decade," observers say regulation of securities trading on the Stockholm Bourse has kept pace with market expansion.

### Growth in M&As

International acquisitions by large corporations are seen as the backbone of Sweden's industrial competitiveness.

## Consumer Boom Masks Rough Spots

By Juris Kaza

**S**TOCKHOLM — Spurred by easy credit and higher real personal incomes, Swedes are enjoying a consumer spending boom that for the Swede in the street leaves the impression that the good times of 1986 will roll on for most of 1987.

Buying new cars, stereos and charter tours to sunny resorts where the krona is strong, Swedes see little tangible evidence of threats to their well-being. New car registrations were up nearly 12 percent in the first quarter, including both Swedish and imported models.

Economists, however, point out that the Swedish economy, perhaps more than others in Europe, has been gliding along on a cushion of cheaper oil, numbered to chronic rough spots in its domestic economic structure.

Lower energy costs largely accounted for an inflation rate of just over 3.3 percent last year, the lowest in recent memory, and this year the weak dollar has taken the teeth out of the rebound in oil prices from their bottom levels last year. But even with that, inflation is seen rising toward 5 percent in 1987 and as high as 5.5 percent or 6 percent in 1988.

The country's current account will show a surplus of just under 4 billion kronor (\$615.4 million) in 1987, but economists say this isn't enough to allow domestic interest rates to fall.

Exports aren't going to grow in pace with import-stimulating private consumption because of a combination of sluggish foreign demand and the fact that many export industries are running at full capacity and simply cannot handle more orders.

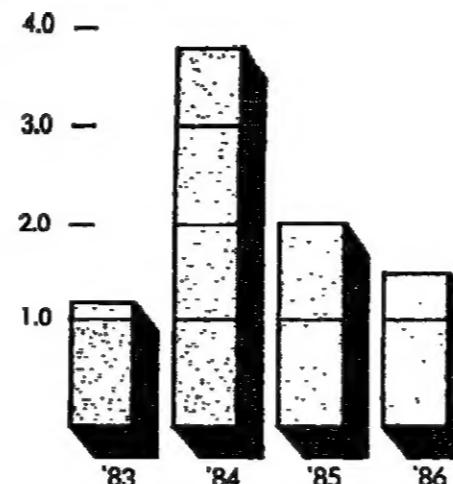
Prime Minister Ingvar Carlsson's Social Democratic government lacks its own major

Continued on page 10

## Economic Concerns ■ Quiet Diplomacy

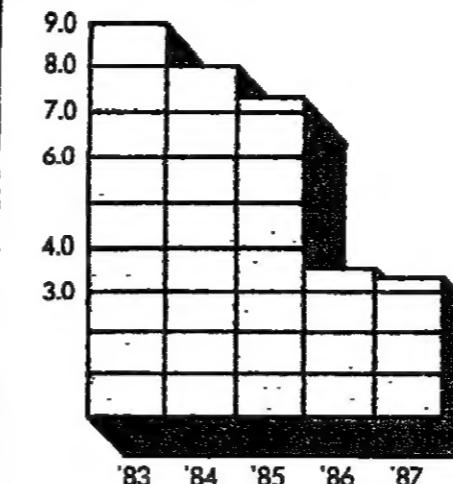
### Slowing Growth

percent change from previous year



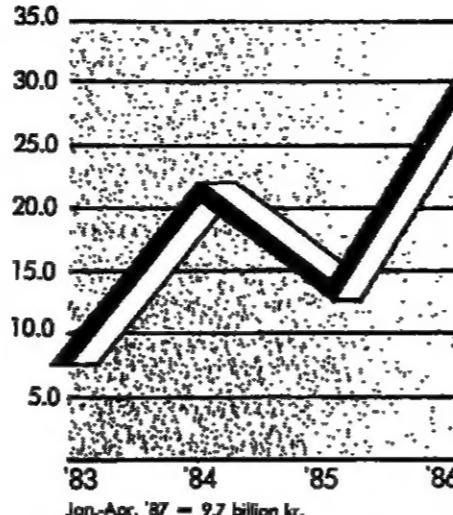
### Inflation

percent change from previous year



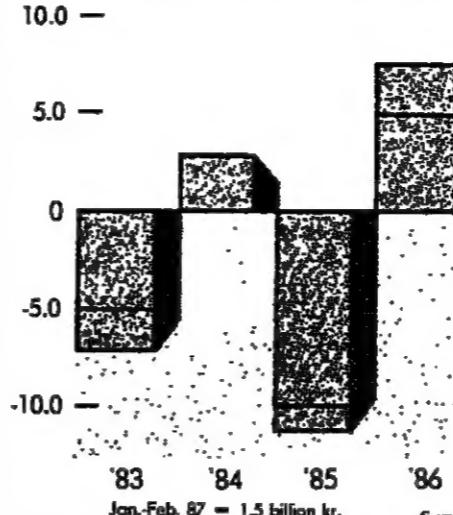
### Trade Balance

Kr. billions



### Current Account Balance

Kr. billions



## Carlsson Aims To Improve U.S. Relations

By Chris Mosey

**S**TOCKHOLM — Quietly, with an absolute minimum of rhetoric, Sweden has changed political course to enter into a new era of rapprochement with the United States. Under Prime Minister Ingvar Carlsson, old antagonisms engendered during the various governments of his predecessor, Olof Palme, are at last being forgotten.

Mr. Carlsson will pay an official visit to Washington in September at the invitation of President Ronald Reagan, the first Swedish prime minister to do so since Tage Erlander in 1961, setting the seal on new relations.

While Mr. Palme, particularly in his younger years, was extremely vocal in condemning U.S. policy, especially during the Vietnam War, Mr. Carlsson, since taking over as prime minister following the assassination of Mr. Palme on Feb. 28 last year, has adopted a far lower profile, preferring instead to minimize differences between Stockholm and Washington.

In contrast to Mr. Palme, Sweden's new leader is quiet, pragmatic and almost totally lacking in any definable personality.

However, a conformist society like Sweden's places little value on individual charisma, and Mr. Carlsson is seen as marking a return to a more traditional style of leadership.

Mr. Palme, while officially revered since his assassination, is seen increasingly as a parenthesis in postwar politics, rather than any sort of logical continuation.

His anti-Vietnam stance brought the United States to the brink of severing diplomatic relations with Sweden. And even in later life, the former prime minister was capable of arousing great annoyance in Washington with his peppy criticism of American policy, fiercely championing, for example, the cause of the Sandinist government in Nicaragua.

Before taking over as prime minister, Mr. Carlsson was the organization man of the Social Democratic Party. He orchestrated the party's return to power in 1982 after six years in opposition and was rewarded by Mr. Palme with the deputy leadership. Still, he

Continued on page 10

## Arms Trade Scandal Shatters Image of Clean Dealings

By Kenneth R. Timmerman

**S**TOCKHOLM — For many Swedes, the "Bofors affair" has all the trappings of a bad dream. The further they get into it, the worse it gets. And it simply won't go away.

Revelations that major Swedish armaments companies had been smuggling high-technology weaponry and ammunition to Iran and to other blacklisted countries for nearly 10 years have opened a virtual Pandora's box, severely shaking Sweden's self-image and forcing a major policy review.

Even the efforts of Prime Minister Olof Palme, who was assassinated on Feb. 28, 1986, to mediate an end to the Gulf war have come under new scrutiny as a result of the arms smuggling affair.

Suspicions of arms smuggling first became public in 1984, when investigators from the Swedish Peace and Arbitration Society joined forces with a disgruntled Bofors employee, who provided them with documents detailing the company's misdeeds.

But the initial police investigation proceeded so slowly it failed to capture the public imagination. Many officials admit today that the reputation of the Swedish Peace and Arbitration Society as a unilateral disarmament group gave little credence to their accusations. Among other things, the society was known for its effort to halt all Swedish arms exports.

The affair rebounded on Jan. 15, when a top-ranking military official responsible for granting arms export licenses fell mysteriously to his death in front of a Stockholm subway train. Since then, the usually cautious Swedish press has pressed forward, three official investigations have begun, and new revelations have begun to unfold before the public eye.

The crux of the matter is a series of questions



Olof Palme's efforts to mediate an end to the Gulf war have come under new scrutiny as a result of the Bofors affair.

granted for the false destination, Mr. Ardbo said.

The same process, most of the time citing Singapore as the "legal" purchaser of the equipment, was used again and again for arms exports whose real destination was Bahrain, Dubai, Oman, Libya, and especially Iran.

Anders Carberg, the president of Nobel AB, the parent company of Bofors, said recently that an internal investigation had turned up more than 10 cases where arms shipments to blacklisted countries were disguised in the company's order books as legal exports to Austria, Singapore and Italy.

As a result, Mr. Carberg said, Nobel was canceling about \$67 million in standing export orders without contest, while "at least a couple of other deals could be on the border of legality."

Mr. Ardbo, the man who engineered many of the illegal deals, was dismissed as Bofors president in March. He will escape criminal charges if he can prove that the government was aware of his activities.

And on this point, Mr. Ardbo is adamant:

"We thought we lived under a system of double morality," he told an interviewer in March. "They [the government and the War Materiel Inspectorate] wanted us to do it like this."

In a related development, a 30-month investigation into illegal shipments of military explosives and gunpowder to Iran came to a head on May 26 when Swedish customs officials announced that they would seek prosecution of a former Bofors director, Mats Lundberg, and an independent Swedish arms dealer, Karl-Erik Schmitz.

A government prosecutor said that the two men had organized sales of at least 780 tons of explosives and 900 tons of gunpowder to Iran — more than a year of Sweden's entire production. They also organized gunpowder deliveries

to Iran from at least eight other countries, the prosecutor said.

The most frequently used "transfer countries" for disguising the real destination of the deliveries were Austria, Belgium, West Germany, Italy, Yugoslavia and Pakistan.

An Iranian front company was set up in Fribourg, Switzerland, to invoice the illegal deliveries, and this could lead to further charges of fraud and income tax evasion, officials said. Some of the payments were funneled through the Arbutus Bank in London, according to documents seized by the customs officials.

The Swedish parliament's Constitutional Commission began investigating possible government involvement in the overall arms smuggling business shortly after the mysterious death of Carl Fredrik Algren, who fell beneath a subway train at Stockholm's Central Station on Jan. 15. Mr. Algren, who held the rank of admiral, succeeded Mr. Rosenius as war materiel inspector in 1979 and was the official who granted most of the fake export permits.

Swedish officials are divided as to the real cause of his death. Some point to his honor as a career officer to suggest that he could "never accept to become the scapegoat" in the Bofors case.

Others, including co-workers who had seen him earlier on the day of his death, say categorically that he did not commit suicide.

Adding to the uncertainty was the sudden, unexplained retraction of two witnesses to his death. Initially, they told the police that they had seen someone push Mr. Algren onto the subway tracks. Two days later, they said they may have been mistaken.

Some high-ranking officials have said that

Continued on page 8

## Banque Indosuez in Sweden.

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# Arms Trade Scandal Shatters Country's Image of Clean Dealings

Continued from page 7

Mr. Algren's was negligent, that he simply failed to suspect foul play by Bofors. However, before taking over the War Materiel Inspectorate job, Mr. Algren was head of Swedish military intelligence, and was thus in a prime position to know the ins and outs of the illicit weapons trade.

In fact, his immediate superior at the time of his death, Foreign Trade Minister Carl-Johann Alberg, said in an interview that Mr. Algren was already suspicious of Bofors in 1981 and three years later "was the one who handed over information to the police." The police have not made public the results of their investigation.

Members of the Constitutional Commission said they were convinced that the government knew something was amiss at Bofors as early as 1980. They noted that two government ministers had personally audited the company's books and had elicited written statements from Bofors executives disclaiming any illegal activity.

"I have read the Bofors disclaimer," said Anders Bjork, an opposition member and deputy chairman of the commission. "And it is not very convincing."

But it was good enough for two successive governments.

One researcher at the Stockholm International Peace Research Institute compared the Bofors scandal to the prowling of Sweden's coast by Soviet submarines. "For years, the Swedes knew they were out there, but kept on wishing they wouldn't get caught," he said. Finally, there was the "Whiskey" [submarine] on the rocks, smack in the middle of the Karlskrona naval base, and they couldn't ignore it anymore.

The Swedes see themselves as an outpost of morality in the modern world. Sweden sparked the European groundswell against the U.S. involvement in Vietnam in the early 1970s and was the first arms producer in the world to voluntarily restrict its arms exports. Swedes find it inconceivable that their politicians might lie. Even in official circles, distrust is an uncommon phenomenon.

The facts now emerging from the Bofors case have gone a long way toward shattering this public image.

Swedish businessmen and officials bent the rules they themselves had made. Indeed, some of the most energetic supporters of Swedish arms sales were in the trade unions and in the Social Democratic Party. The reason? Bofors and other major defense contractors exported more than 50 percent of all the weapons they produced.

Mr. Palme himself was probably the most effective arms salesman of all. He convinced Prime Minister Rajiv Gandhi of India to buy Bofors field howitzers worth \$1.3 billion. Sweden's largest arms export order.

Recently, however, the press has alleged that the deal involved bribes and kickbacks. The Swedish radio has claimed that it had discovered incriminating bank documents that showed 30 million kronor (\$4.75 million) had been paid in bribes. The revelations dealt another blow to Sweden's image.

Today, many Swedes have begun to take a harder look at the whole dynamic of arms sales

It was a secret to none that Mr. Palme saw himself as an international statesman, perhaps the only one capable of bringing the Gulf war to a halt. It is also clear that he used trade incentives to woo the Iranian leadership.



Prime Minister Ingvar Carlsson, center, during a March meeting with U.S. Secretary of State George P. Shultz in Stockholm.

and of how they might affect Sweden's role in the world. One thing that has emerged is the close linkage between arms exports and Sweden's neutrality, held up as a "sacred principle" by Swedes on left and right alike.

Mr. Palme and others realized that for Sweden to remain neutral it needed a healthy arms industry. And without substantial exports, this could only be done at a tremendous cost to the Swedish taxpayer.

"The big plus from foreign sales," a researcher with the Stockholm International Peace Research Institute said, "is that they keep production lines open free of charge. Without the Iranian [and other black market] orders, the Swedish government would have to increase its own orders or begin buying many of its own weapons abroad. And that would definitely have a negative effect on Swedish neutrality."

Some politicians, such as Anders Bjork, feel it would be less hypocritical to abandon arms export restrictions. "Swedes must understand that countries are buying weapons to use them, not to keep them on the shelf," he said.

But the current Social Democratic government prefers to maintain the principle of Sweden's moral position. Prime Minister Ingvar Carlsson announced in April that loopholes in the law would be closed to make it harder for companies such as Bofors to sell arms directly to blacklisted countries.

However, officials admitted that it was still possible for companies to skirt the law by selling weapons made under license abroad. "and we have no control over that."

Bofors alone has granted production licenses to 16 countries.

Official investigations continue to turn up evidence of arms smuggling, more companies are becoming involved, and it is suspected that Mr. Palme himself may have played a key role in illegal arms shipments to Iran as part of a

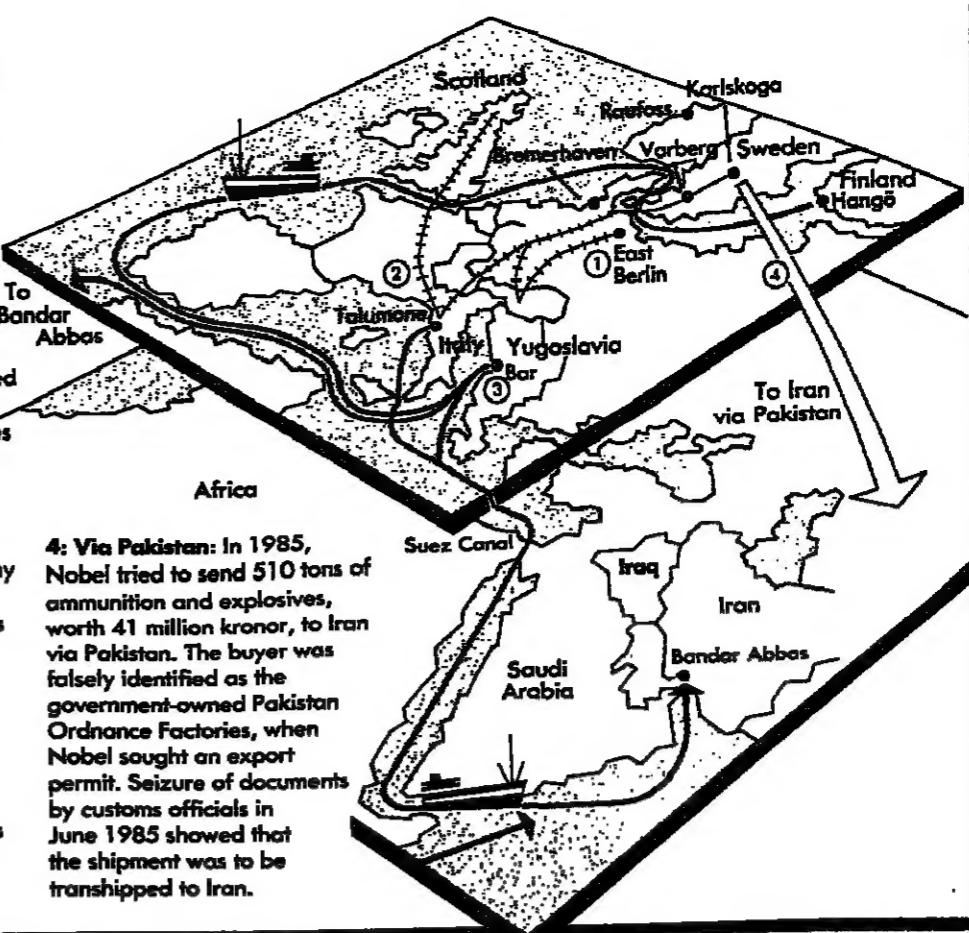
## How Swedish Explosives Were Shipped to Iran

1. Via Austria and East Germany: Between 1981-85, Nobel Kemi delivered 600 tons of ammunition to Iran in 26 shipments valued at 38 million kronor.

2. Via Italy: In 1984, Tirrena Industrie in Italy received an order from Iran for 5,300 tons of ammunition, 900 tons of which it contracted to Nobel Kemi. Nobel had delivered 50 tons, before Tirrena was stopped by the Italian government. It delivered 200 tons of explosives via Tirrena, worth 10 million kronor.

3. Via Yugoslavia: In 1985, Nobel Kemi, through a company set up in Yugoslavia, undertook to deliver 1,300 tons of ammunition, part of a 4,700-ton contract, including South Africa. Nobel subcontracted with Muiden Chimie in the Netherlands, Raufoss in Norway, Kemira in Finland and Nobel Explosives in Scotland. A total of 230 tons was shipped to Iran from Karlskoga, Sweden, in March 1985.

4. Via Pakistan: In 1985, Nobel tried to send 510 tons of ammunition and explosives, worth 41 million kronor, to Iran via Pakistan. The buyer was falsely identified as the government-owned Pakistan Ordnance Factories, when Nobel sought an export permit. Seizure of documents by customs officials in June 1985 showed that the shipment was to be transshipped to Iran.



Graphic adapted from Dagena Nylander, with illustrations by Hans Molin and data by Björn Stenqvist.

topping the \$500 million mark in 1984. "Our foreign policy and Mr. Palme's good name helped establish this disproportionately large Iranian trade," one official said.

It was a secret to none that Mr. Palme saw himself as an international statesman, perhaps the only one capable of bringing the Gulf war to a halt. It is also clear that he used trade incentives to woo the Iranian leadership into taking his advice.

With Mr. Palme's assassination and the death of Mr. Algren, the whole truth about Swedish arms deliveries to Iran may never be known. However, one thing is certain: The Bofors affair marks the end of the Palme myth. Sweden has lost its innocence.

KENNETH R. TIMMERMAN, associate editor for the Washington-based *Journal of Defense and Diplomacy*, is the author of "Fanning the Flame," a study of arms sales to Iraq and Iran.

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Return on equity, %	27.7	16.9
Capital ratio, %	7.4	6.3

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May, 1987

July 15, 1987



# Acquisitions Lift Sales and Output For Industries

By Juris Kaza

**S**TOCKHOLM — A spate of recent international acquisitions by large Swedish corporations may seem like a new trend because of the publicity it has gotten, but buying market shares and a manufacturing base abroad has been a primary means of survival for Swedish industry in the past two decades.

In the span of a few months, Swedish Match bought up its main competitor and the world's second largest maker of matches, Wilkinson Sword, in Britain; Electrolux bought the white goods operations of Britain's Thorn EMI and Bolden, a mining and minerals group, purchased 11 international units of Alis Chalmers of the United States.

These deals were announced even before others had faded from memory — Electrolux acquisitions of appliance makers White in the United States and Zanussi in Italy, as well as Volvo's joint ventures with General Motors in trucks and with Clark in construction and earth-moving equipment.

The acquisition of White, for about \$722 million, ranked high among the top 200 mergers by size in the United States.

In less spectacular moves, Atlas Copco has signed an agreement to acquire Chicago Pneumatic (CP) from Danaher Corp. of Washington, for \$85.5 million.

With this, Atlas Copco becomes one of the largest manufacturers of pneumatically driven tools in the United States.

The latest round of acquisitions shows that at present, large Swedish corporations have plenty of cash to spend from the good earnings of the past few years, and Swedish managers are quick to take advantage of a weak dollar that makes U.S. acquisitions especially attractive. But these factors simply influence the timing of deals, not the underlying reasons for aggressive Swedish corporate expansion abroad.

Moreover, Swedish corporations continued to seek acquisition opportunities in Europe even with a weak dollar, making U.S.

companies appealing. Besides the British companies purchased by Swedish Match and Electrolux, AGA, the Swedish-based industrial gas company, is making a \$55-million-franc (\$97-million) bid for the French gas company Dufour et Igon.

Ericsson, the telecommunications and office automation group, recently was awarded the right to buy 20 percent of Compagnie Générale de Construction (CGCT), a state-owned French telecommunications group that is being privatized.

"The technology today demands larger and larger production units, so one has to turn abroad for markets to support large production volumes," said Andrejs Cakste, group controller at Swedish Match, who recently moved from a similar position at Electrolux.

Both companies produce "mature" products and have expanded domestically and abroad by acquiring and, if need be, restructuring and integrating strategically attractive companies.

Björn Rosengren, chief economist of Gotabanken, Sweden's fourth largest commercial bank, noted that "Sweden is the country that, in relation to its population, has the largest direct investments abroad of any country in the world."

Foreign sales ratios of 60 percent or 70 percent of total sales or more are not uncommon for large Swedish companies, with some, such as the pharmaceutical and biotechnology group Pharmacia, selling around 90 percent outside Sweden.

The bank economist added that "even if these last acquisitions seemed spectacular, it is hardly a departure from earlier policy; this is a natural long-term development for Swedish industry."

Electrolux made its first acquisitions on the Swedish market, and Swedish Match did the same in restructuring the door industry in order to get a large enough market share to support efficient production," Mr. Cakste said.

"And when it comes to exports in mature industries, you need a base abroad with brand names, a sales organization, and established market shares."



Volvo assembly plant in Kalmar.

## Large Swedish corporations have plenty of cash to spend from the good earnings of the past few years.

In floor coverings, a major product area for the Tarkett Group within Swedish Match, the company has acquired Pegulan, a well-established floor-covering maker in West Germany. At Electrolux, officials are often proud that their name is unknown abroad, because they sell under some of the best-known names on local markets, such as Tappan in the United States.

Mergers within mature manufacturing industries and across national borders also make it possible "to expand your purchasing base and increase your negotiating power, say, with suppliers of the Continent," said Mr. Cakste.

He added that consumer-related industries are not the only mature businesses to benefit from international expansion.

"Look at how Esab, the welding group, has grown," he remarked.

Analysts say that, because of the weak dollar and the relative

importance of the U.S. market to Swedish corporations, there are golden acquisition opportunities in North America.

"Even if managers have been around for 20 years, they've never seen the possibility to acquire U.S. facilities on terms available today," said Gerald Nordberg, president of Reinheimer, Nordberg, a New York securities brokerage that specializes in Scandinavian shares.

So many Swedish corporations have made acquisitions of both large and small foreign units that what is remarkable to analysts are those few multinationals that seem poised for acquisitions but have yet to strike.

"When I think about these mergers, I wonder about the companies who could sustain a major acquisition but haven't done so," said Mr. Nordberg in New York.

"One that comes to mind, in fact, a prime candidate, is Asea."

# Consumer Boom Masks Problems

Continued from page 7

ity in the Riksdag, or parliament, and has come under pressure from both the far left and the political center, preventing it from taking strong austerity measures.

In 1988, the Social Democrats face an election without the controversial but charismatic Olof Palme, who was assassinated in February 1986.

"The main problem is our major dependence on foreign markets and the current account," said Björn Rosengren, chief economist at Gotabanken (PKbanken), the state-owned commercial bank. "Without the oil price drop, we would have had a 15 billion kronor current account deficit last year." Sweden's current account posted a deficit of 6.7 billion kronor in 1986.

"What we have now is a bright picture if the outside world goes on as it has to now," commented Nils Lundgren, chief economist at Post-och Kreditbanken (PKbanken), the state-owned commercial bank. "The best signals in the economy have to do with the competitiveness and profitability of our export industries."

But even the relatively optimistic Mr. Lundgren admits that "we have this tendency toward weaker external accounts, which reflects the rise in private consumption and, in the longer run, the increase in wages and prices."

In a recent forecast, PKbanken said it expects Sweden's current account surplus to shrink to 1.5 billion kronor in 1988 from a projected 3.9 billion kronor in 1987.

Hubert Fromlet, chief economist at Swedbank, the commercial bank owned by Sweden's savings bank, said the nation's main problem will be "inflation, for several reasons."

"The drop in oil prices is not there anymore and prices aren't falling," Mr. Fromlet said. "With the strong yen and D-mark, there will be price increases or imports from Japan and West Germany. Our domestic price freeze will be lifted during the second half. A lot of price rises swept under the rug will be swept back out," he said. He was referring to the price freeze imposed by the government earlier this spring.

He added, "Also, there are a number of state-mandated price rises, for instance, the agreement [with Swedish farmers] to increase prices of basic foodstuffs, the higher excise tax on new cars, and so on."

Mr. Rosengren of Gotabanken commented that "we have a remarkable ability to end up with the same cost development every year. The contractual increases have been shrinking, but at the same time, wage drift is increasing."

Wage drift comprises both wage raises offered voluntarily by companies to attract workers and automatic increases triggered as part of the "solidarity" wage structure when voluntary raises in one sector create inequalities with the wages of workers doing similar work in other industries.

"This year it looks like we will have a rise in employment in the private sector; in effect, we are seeing the best of the labor market now," said Mr. Lundgren. "but that means for a

large part of private industry, you will get wage drift."

During the spring, unemployment has hovered around 2.2 percent. Mr. Lundgren said that the underlying inflation rate, based on domestic labor and other cost increases, is 5.5 to 6 percent, and we are moving up to that, although the December '86 to December '87 rate will not be more than 4.5 to 5 percent.

Mr. Fromlet said that "most of the factors that affect inflation are negative" and added that Mr. Carlsson's government isn't likely to be able to push any effective fiscal austerity measures through the Riksdag, parliament, leaving management of the economy to the Bank of Sweden by monetary and interest rate policy.

Here the main problem is that we have a government that will find it difficult to drive through a fiscal policy that cuts consumption," the Swedbank economist remarked. "The number one way to cut consumption would be to raise the value-added tax, but we don't have a strict VAT for food and other goods, so the Communists will oppose that. You could restrict tax reductions related to credit, or set up some kind of forced savings, but with an election year coming in 1988, what political party wants to support austerity?"

Mr. Rosengren of Gotabanken added, "In terms of the technicalities of parliamentary voting, this is a weak government. We should have had austerity measures for the sake of

our foreign balance, but there is no real majority in the Riksdag, and there's an election next year."

Rising U.S. interest rates may push up interest levels in Sweden regardless of what the central bank chooses to do.

"I cannot see any way out for the U.S. except rising interest rates and rising inflation," said Mr. Lundgren.

Swedbank's most recent economic forecast speaks of "continued high Swedish interest rates" based on the nation's weak external accounts and rising rates in the United States.

The weak dollar is regarded as a mixed blessing for the Swedish economy, where many industries rank the United States among their largest export markets.

On the one hand, the krona has not appreciated as much against the dollar as the Deutsche mark and yen, leaving Sweden ahead of its major competitors. At the same time, the weaker dollar has considerably cut debt service costs. Swedish multinationals with manufacturing in the United States and using the United States as an export platform are benefiting from the dollar's weakness.

"If the dollar goes down, with all other business as usual, we will cope with that, though the profits of Saab and Volvo will go down," Mr. Lundgren said.

**JURIS KAZA**, a Stockholm-based journalist, contributes regularly to the International Herald Tribune's business pages.

## New Rapport With U.S.

Continued from page 7

Carlsson has plenty of reasons for establishing a new rapport with the United States.

Big business has had a bad time of it lately in terms of its image abroad.

First, the badly bungled hunt for Mr. Palme's assassin cast severe doubts on Swedish efficiency.

Then came the revelations of shady dealings within the pharmaceutical company Fermenta that eventually led to the removal of Refar el-Sayed, the firm's Egyptian-born managing director.

Mr. Sayed had been accused of dragging his heels in the South Africa sanctions issue, for example, earning him the ire of his party's left wing and some members of Sweden's powerful trade union movement but winning him the respect of the business community.

U.S. Secretary of State George P. Shultz, who met Mr. Carlsson following Mr. Palme's funeral in March 1986, was reported to have been impressed by his modest demeanor and restrained style of diplomacy.

The groundwork for the Washington visit was then carefully laid in a series of meetings between Mr. Carlsson and his staff and Gregory J. Newell, the U.S. ambassador to Sweden.

Mr. Newell has insisted that he does not

expect Sweden to necessarily hold the same

opinions as the United States on world issues.

But he has asked for "greater understanding" of the U.S. position, something he would have been unlikely to have achieved with Mr. Palme.

Beyond diplomatic considerations, Mr.

**CHRIS MOSEY** is a Stockholm-based correspondent for *The Observer of London*.

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### SKANSKA 1986:

Consolidated Balance Sheet, December 31, 1986.  
In millions of Swedish Kronor (SEK M).  
Exchange rate: SEK 1,000 = USD 158.19 (April, '87).

Assets	Liabilities and shareholders' equity
Bank balances	4,720
Receivables	1,414
Investment and development properties	6,982
	4,248
	12,644
Other receivables	3,433
Shares and participations	566
Machinery and equipment	4,040
Fixed-asset properties	961
	1,085
Total	19,296
Long-term liabilities	8,153
Unpaid reserves	4,292
Capital stock	4,736
Reserves	617
Net profit for the year	1,013
	485
Total	19,296

Consolidated revenues 1986 — SEK 16,103 M



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## SPORTS

## Brazilian Apprentices Cutting an Impressive Swath

*International Herald Tribune*

LONDON — Get out those gold-tinted specs. If you have none, feel free to look through mine. We're back on the Brazilian soccer trail and, with customary bias towards artistry in yellow jerseys, I have good news.

Allowing heart and past love affairs to rule, I recently suggested we see how Brazil's apprentices perform before doubting their pedigree. *Emreka!*

The team of seven untired internationals needed no protective suit. Drawing against England, losing to the Republic of Ireland, beating Scotland, Finland and Israel, the new Brazilians unveiled *jogo bonito* — the pretty game.

"We might be watching the skeleton of the finished product for the 1990 World Cup," commented Terry Butcher, England's center-back. "Butcher singled out Mirandinha, the diminutive center-forward he had tried to subdue. "I'm having trouble saying his name, let alone get hold of him," admitted the towering Englishman.

"He's so tricky you feel you should play him tight. But he draws you in and spins you. He's not the only one. It's a pleasure being on the same field as such skilled players."

Mirandinha has baffled even Brazilians. He's 26, older but not wiser than the emerging starlets. A mutant of restless nature and greedy reputation, Mirandinha flirted with four clubs until scoring 70 times for Palmeiras in the past year.

Given Brazil's paucity of strikers, he shot onto the Olympic team last month and, with Careca (the five-goal World Cup star) declining to tour, Mirandinha gained sudden promotion to the senior national squad.

Like Butcher, I'm excited and bemused by Francisco Espanha Lima da Silva (the sobriquet Mirandinha comes from) of his similarity to the 1974 World Cup center-forward.

Slippery as an electric eel, Mirandinha. But does he deliberately slip the ball through a marker's legs, or is it pure impulse?

Has he extraneous perception, pouncing as he did when a goal-keeper of Peter Shilton's stature let the ball squirm out of his gloves?

Days later, in Dublin, we saw how exasperating Mirandinha can be. Müller and Silas and Douglas, all emerging Brazilians, worked with spirit to retrieve a losing situation only for Mirandinha to dribble into trouble again and again.

Carlos Alberto Silva, the novice team manager, took Mirandinha off. Silva appears not to look for sweat off the brow, but even he could not ignore selfishness destructive to teamwork.

The short, sharp shock had the desired effect. Three days later, Mirandinha turned creator in Scotland. Receiving the ball near the halfway line, Mirandinha unleashed a swirling pass from the outer rim of his right boot.

It dropped into Valdo's stride, whereupon the 23-year-old black winger danced left of Richard Gough, swayed right to dump Willie Miller on his backside and slipped the ball beneath goalie Andy Goram. *Jogo bonito!*

But brilliance flickers and fades in Brazilians so quickly that we thrill to them one day and then see them no more.

Careca will soon want his 9 shirt off Mirandinha's back. Juary, a striker whose touch-and-go skill illuminated Porto's European Cup triumph in Vienna, might also change.

Porto, like Brazil, built its success on risk, on moments of improvised beauty worth decades of tactical efficiency. Indeed, the Portuguese have an even more inspirational for-

ward, Paulo Futre, whose gifts remind us that his nation gave Brazil both language and movement.

Rarely do we recall that a man of British stock, Charles Miller, introduced Brazilians to soccer.

## ROB HUGHES

England and Scotland seldom really examined Brazil's defense, seldom took advantage of right back Josimar, whose glorious forward runs are betrayed by his defensive vulnerability.

Brazil's faith in Josimar is good for the game. Erratic — even dirty — his tackles may be, but when did you last see a fullback flick the ball onto his chest, let it drop and then volley overhead clearances as Josimar did?

Yet Brazil's promise against England, its fluency while outplaying inside the opposite post.

Scotland, fell to the Republic of Ireland.

Duthie provided a diabolical pitch and an ill wind that chilled Latin artistry. Such was the cold that 16 South American broadcasters, bellowing their volatile cacophony to the world's premier nation, were swathed in scarves and blankets.

Ireland, mauled by 7-0 when last it met Brazil, won deservedly, on a goal from Liam Brady. Brady is a fox of a player, a Dubliner whose midfield skills have been paraded from Arsenal to Italy and back to West Ham.

At 31, he did his share of hustling, which Ireland used to deprive Brazil of the ball.

But Brady has an extra dimension. Seventeen meters (55 feet) from the Brazilian net, he was poised to chip the ball right-footed over goalkeeper Carlos. Then, with the defense mesmerized and with the time given only to maestros — Brady subtly shifted balance and struck a left-footer low inside the opposite post.

When did you see a fullback show the ball to his opponent and then drag it back with the sole of his foot, as Josimar did at Wembley?

Yet Brazil's promise against England, its fluency while outplaying inside the opposite post.

A "Brazilian" from cold climates!

Later, Brady faced Rai, a player tall and angular and languid like his famous brother, the retired Socrates. Rai, 21, needs experience. Brady — a veteran of 64 internationals against 25 nations — ambed up and, cheeky as a Brazilian, pushed the ball through his legs. Rai looked unperturbed.

He still appeared unhurried in Scotland three days later, when Scotland's goalie dropped the ball. Seemingly slow of movement, but ultra-quick in anticipation, Rai was on him in a flash, flicking in the rebound.

It almost defies belief that there could be another Socrates in the family. Yet Socrates and Rai are two of a brood of ten, which considerably shortens the odds.

They are also sons of the land of soccer, sons who may not always defeat us, but who always display skills to bewilder and stimulate our less imaginative minds.

*Jogo bonito!* Anytime, anywhere.



Dave Sheldene/The Associated Press

Center-forward Mirandinha, averting Chris Waddle's tackle during Brazil's draw with England.

## Lendl, Evert, Navratilova Gain Semifinals

*The Associated Press*

PARIS — Defending champions Ivan Lendl and Chris Evert swept into the semifinals of the French Open tennis tournament here Tuesday. Also advancing was Martina Navratilova, the No. 1 women's seed, to set up another meeting in one of the sport's longest-running rivalries.

Losing only three of the last 15 games, Lendl beat Andres Gomez 6-2, 6-2.

On Thursday, Evert will face Navratilova, who breezed past West German Claudia Kohde-Kilsch, 6-1, 6-2. It will be the 72nd meeting between the two, but their first in a semifinal since the 1981 U.S. Open. The day's other semi will pit 17-year-olds Steffi Graf and Gabriela Sabatini, each going for her first major title.

Lendl's semifinal opponent on Friday will be one of two Czechoslovaks. Miloslav Meier, the No. 3 seed, had a 4-2 opening-set lead against unseeded Karel Novacek when rain suspended the match. They will continue at the start of play Wednesday, and will be followed by the other two men's semifinals — Yannick Noah vs. Wilander and Jimmy Connors vs. Boris Becker.

Lendl had early problems against Gomez, whom he was meeting for the third time in the quarters. He had 11 break points but, as in 1984 and last year, faded in the latter part of the match. "He can be like a madman at the start, but the chances are he's the one who'll tire out," said Lendl after beating the No. 10 seed for the 13th straight time. "Today was

gamen but, as in 1984 and last year, faded in the latter part of the match.

Saying that the components of his game are as good as Lendl's, Gomez noted a fundamental difference between himself and the world's top-ranked player. "He's in better shape — he's an athlete, and I'm not," said Gomez. "He's fitter, and he takes advantage of the situation. This is the hardest tournament to win because fitness counts as much as tennis."

Evert, the No. 3 seed, dropped only eight points after the 14th-seeded Reggi had won the first two games of the second set.

Taking a 4-0 lead in both sets and losing her serve only once, Navratilova had an easy time in whipping No. 8 Kohde-Kilsch. "Today's practice was the best I've played this year.... The ball seemed this big," said Navratilova, holding her hands wide apart.

Evert and Navratilova, who have dominated the women's game for a decade, have met only four times in a grand-slam semifinal; most of their clashes have been for titles.

"I can't believe the match is in the semis," Navratilova said. "It will be harder for both of us. One has to win and play another game, and one has to lose."

"I'll go in and hope to hit well — hard and deep," said Evert. "I hope to serve well. All these things are important against her. I'm in good shape physically."



Top-seed Martina Navratilova: Easy passage to the semifinals.

## French Back Sets Mark for Rugby Points

*The Associated Press*

AUCKLAND, New Zealand — Fullback Didier Camberabero scored a world-record 30 points as France thrashed Zimbabwe, 70-12, to qualify for the quarterfinals of the World Cup rugby tournament here Tuesday.

Camberabero scored three tries (12 points) and kicked nine conversions (18).

The test-match record of 27 points has been set two hours earlier by Scotland's Gavin Hastings in a 55-28 rout of Romania. The record before Tuesday had been 26, set by New Zealanders Allan Hewson (against Australia in 1982) and Grant Fox (against Fiji last week).

Injuries cut Zimbabwe down to 14 men for most of the second half as the French piled on the tries.

France and Scotland tied on points in their pool, but France took first place because it had scored more tries than the teams' 20-20 draw last week.

France will play Fiji in a quarterfinal match in Auckland on Sunday; Scotland will meet New Zealand in Christchurch Saturday.

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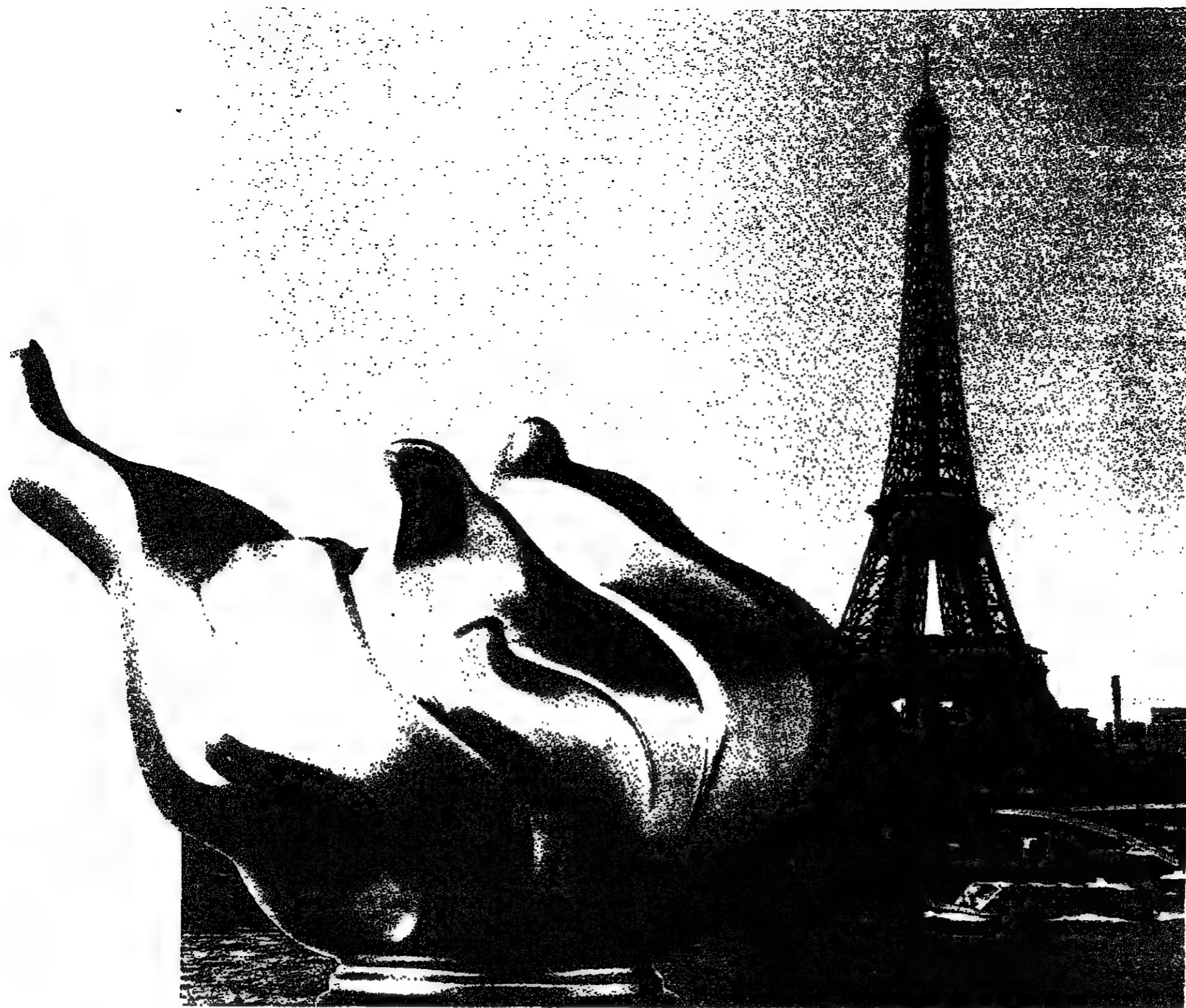
La technologie Mobil 1 a permis à

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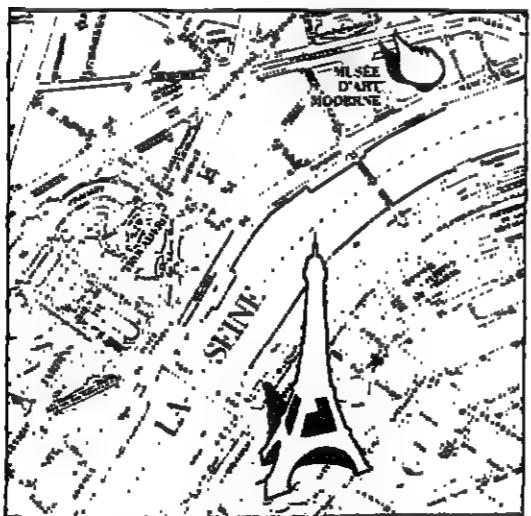
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## THE PARIS LIBERTY FLAME WILL STAND ON THE BANKS OF THE SEINE.

We are pleased to announce that the City of Paris authorities have designated an outstanding site for the Paris Liberty Flame monument on the Avenue de New York along the Right Bank of the Seine, near the Place de l'Alma next to the *Musée d'Art Moderne* — a central location which means that this monument to Franco-American friendship will be seen every day by thousands of Parisians and visitors to the city.



The Paris Liberty Flame is the exact duplicate of the golden flame atop the outstretched arm of the Statue of Liberty in New York harbor. It was crafted in the United States by *Les Métalliers Champenois*, the same group of outstanding French artists who worked on the New York statue, using the same molds they created for that project.

This monument perpetuates a tradition started over one hundred years ago, when over 100,000 French citizens contributed to the financing of the original Statue of Liberty. A few years later, a group

of Americans then living in France gave as a gift to the French people the reduced-size replica of that Statue which today stands on the Ile aux Cygnes, just a mile downstream from the new Liberty Flame site.

The International Herald Tribune has decided to mark the conjunction of its own centennial with that of the Statue of Liberty by sponsoring an international fundraising appeal to bring the Liberty Flame to Paris.

It is estimated this project will cost about \$400,000. Working together with our co-sponsors, Kevin MacCarthy Associates, an international law firm located in New York City, the IHT has established a non-profit corporation, the *France-America Liberty Fund, Inc.*, as well as a French "association", the *France-America Liberty Fund*, to which tax-deductible contributions can be made in both countries.

The appeal was launched in October of 1986. Over \$200,000 has been raised from contributions in all parts of the world — more than half of the goal.

Founded in Paris on October 4, 1887, the International Herald Tribune is the oldest American newspaper published abroad. Ever mindful of its own deep Paris roots and of the warm relations it has enjoyed throughout the century with the people of France (including many of its own employees, readers and advertisers), the International Herald Tribune is proud to take the lead role in this undertaking.

In doing so, the IHT echoes the role played 100 years ago by Joseph Pulitzer's New York World, when that newspaper sponsored the public fundraising effort for

the Statue of Liberty's monumental pedestal — and thus made it possible to erect the original Statue.

In an age which is too often characterized by rapid swings in popular emotion on both sides of the Atlantic, we feel it is important to reaffirm two truths which have stood the test of time: the fundamental value of Liberty in our way of life and government, and the enduring strength of Franco-American friendship.

The France-America Liberty Fund welcomes contributions of any size and will acknowledge all gifts (unless otherwise instructed by the donors) by publishing periodic announcements listing the names of the contributors in the International Herald Tribune. The names of major donors will be inscribed on a plaque at the base of the monument.

If you wish to make a contribution, you may do so by forwarding the form below.

To: Assn. France-America Liberty Fund  
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## Commerzbank Backs VW Managers

By Ferdinand Protzman

*International Herald Tribune*

FRANKFURT — Volkswagen

G's managing board received a

traditional vote of confidence

yesterday when Commerzbank AG

announced that VW sharehold

ers endorse the company's top

management for blame in a cur

renting scandal that has cost the

company 473 million Deutsche

marks, or about \$258 million.

The automaker's largest single

shareholder is the government of

the state of Lower Saxony, which

is a 20 percent stake in the com

pany. The federal government also

holds an estimated 16 percent stake

in Volkswagen.

Commerzbank, the third-largest

commercial bank in West Germany, tied its support for the board, however, to an independent study being conducted by Deutsche Treuhand, a leading accounting firm. The report is expected by the end of June.

"We are recommending that Volkswagen shareholders exonerate the managing board," Commerzbank said in a statement to shareholders. "The recommendation is subject to revision depending on the findings contained in the report by Deutsche Treuhand."

The scandal at West Germany's largest automaker broke in early March, when VW revealed that it

could have losses of up to 480 million DM from fraudulent foreign exchange dealings. The total was later put at 473 million DM.

The company's finance director, Rolf Selowsky, and Burkhardt Junger, VW's chief foreign exchange dealer, were dismissed. Mr. Junger was later jailed on suspicion of fraud. Mr. Selowsky is not suspected of criminal actions. Federal and local prosecutors are still investigating the case.

The decision by Commerzbank follows rumors that Deutsche Bank AG, West Germany's largest commercial bank, would advise its clients who hold VW shares to hold the automaker's managing board, whose chairman is Carl H. Hahn, responsible for the scandal.

Both Deutsche Bank and some VW shareholders are said to be objecting to the use of foreign exchange trading to generate profit rather than simply cover foreign earnings exposure. Mr. Hahn said in May that VW was reviewing the use of its foreign exchange trading operation as a "profit center."

"I think Deutsche Bank and Dresden Bank will follow Commerzbank's lead on this," said a Frankfurt-based stock analyst. "I never imagined the banks would do otherwise. In the past, banks have withdrawn support for managing boards of companies that were on the brink of collapse. But Volkswagen is profitable and relatively healthy."

Several analysts said, however, that there was friction between Deutsche Bank's managing board and Mr. Hahn.

It is believed the Deutsche Bank board and Mr. Hahn have exchanged sharp words on more than one occasion about how VW is managed," an analyst for a West German bank said. "The VW board has recently been an internally contentious group, so there are also questions about how solid is Mr. Hahn's backing within the company."

This may include Stad Rotterdam raising its stake in EVM," Mr. De Swart said.

He said the travel and recreation market was expected to see further growth as people found themselves with more and more free time.

Share analysts said EVM's losses would probably narrow this year as the result of a scheduled rise in Dutch car insurance premiums.

EVM's losses of 9.6 million guilders in 1985 and 4.5 million guilders

in 1986 stemmed largely from its car insurance activities, a sector in which most Dutch insurers have also reported losses or seen sharply lower yields recently.

EVM had premium income of 150 million guilders in 1986. Stad Rotterdam's premium income was 1.17 billion guilders last year.

The Swiss parent company, which is to retain the remaining 80 percent of EVM, had been interested in finding a Dutch partner for its subsidiary, Mr. De Swart said.

He said the insurers would evaluate the success of their partnership in several years and decide whether and how they should continue to cooperate.

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Italy to Merge Telecommunications Firms

By David Brown

*Special to the Herald Tribune*

ROME — The Italian government approved a key merger Tuesday between public and private-state telecommunications assets with the aim of raising Italy's competitiveness in the sector.

After more than a year of talks, state-owned Italtel group and state-owned Telettra subsidiary will merge into a new holding company named Teleti following final approval by Cielo D'Asia, Italy's minister for state holdings. The new company will have annual sales of 2 trillion lire (\$1.5 billion) and 23,000 employees.

Teleti is expected to aim for a larger European market share by

seeking ties with one of the world's major telecommunications groups.

Preliminary contacts have already been made with L.M. Ericsson of Sweden, Siemens AG of West Germany, Plessey Co. PLC and General Electric Co. PLC of Britain, sources said.

Ericsson has offered to sell Teleti shares amounting to as much as 10 percent stake.

Official approval came after long negotiations under the previous Social-led government coalition, which wanted to retain state control over the new company's shareholding structure.

The plan calls for Fiat and the Istituto per la Ricostruzione Industriale, Italy's state holding company, to each take a 48 percent stake in the new company.

Mediobanca SpA, the country's leading merchant bank, or another state institution will buy the remaining 4 percent.

Because Italtel's revenue is twice that of Telettra, Fiat is expected to pay the government an unspecified sum for its shareholding.

Appointment of top management is likely to be delayed until after Italy's June 14 general elections.

The limited partnership will be similar to the Westin Hotels Limited Partnership completed last year, in which the Westin St. Francis in San Francisco and the Westin Hotel in Chicago were sold for \$80.6 million.

An Allegis spokesman said the offerings had been planned for some time and were unrelated to the company's recapitalization plan and a threatened takeover by an investor group, Comiston Partners.

Comiston has sued Allegis, challenging its sale of \$700 million in notes to Boeing Co. as part of a \$2.1 billion aircraft purchase under which Boeing

could take control of 16 percent of Allegis stock. Comiston controls 13 percent of Allegis.

"After the Latin America debt problem blew up, many banks became very cautious," said the chairman of the Spanish branch of a leading American bank. "Nowadays they simply clear out of a market at the first whiff of trouble."

## Hanson Posts 97% Profit Rise in First Half

International Herald Tribune

LONDON — Hanson Trust PLC, a British conglomerate with major U.S. interests, nearly doubled pretax profit for the six months that ended March 31, mostly because of acquisitions, the company said Tuesday.

Pretax profit rose 97 percent, to £312 million (\$505 million), a half-year record, from £158 million in the period a year earlier.

Hanson said the results included the first contributions from recent acquisitions, including Imperial Tobacco Ltd. and Imperial Foods Ltd. of

Britain and SCM Corp. and Kaiser Cement Corp. of the United States.

Operating profit climbed 80 percent, to £296 million, from £164 million a year earlier.

Paul Burke, an analyst with Kleinwort Griesson Securities, said contributions from Imperial Foods, Imperial Tobacco and SCM generated about half the total operating profit.

Sales in the half, again reflecting acquisitions, rose 126 percent, to £3.47 billion, from £1.55 billion a year earlier. Net profit was up 105 percent, to £234 million, from £114 million.

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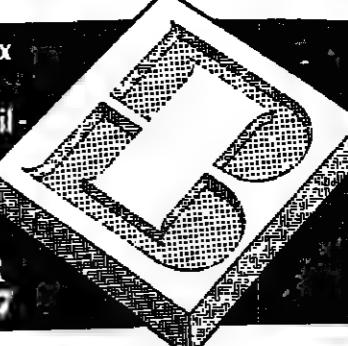
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## Stad Rotterdam Buys 20% Of Swiss-Owned Firm, EVM

By Ronald van de Krol

*Special to the Herald Tribune*

ROTTERDAM — Stad Rotterdam NV, the sixth largest Dutch insurance group, said Tuesday that it is buying a 20 percent stake in Ampezzano Verzekering Maatschappij NV from Union Rückversicherungs-Gesellschaft of Zurich, and may raise its holding later.

EVM, based in Amsterdam, is the Dutch market leader in recreation, travel insurance and is active in insuring pleasure boats and camping caravans.

A spokesman for Stad Rotterdam, Carlo De Swart, declined to say exactly how much the company was paying for the stake. But he said the price had been "good," reflecting the fact that EVM posted losses in 1985 and 1986 — the first in its 65-year history.

Analysts at Dutch banks estimated that Stad Rotterdam was paying less than 5 million guilders (\$2.5 million) for the holding.

EVM's losses of 9.6 million guilders in 1985 and 4.5 million guilders

in 1986 stemmed largely from its car insurance activities, a sector in which most Dutch insurers have also reported losses or seen sharply lower yields recently.

EVM had premium income of 150 million guilders in 1986. Stad Rotterdam's premium income was 1.17 billion guilders last year.

The Swiss parent company, which is to retain the remaining 80 percent of EVM, had been interested in finding a Dutch partner for its subsidiary, Mr. De Swart said.

He said the insurers would evaluate the success of their partnership in several years and decide whether and how they should continue to cooperate.

This may include Stad Rotterdam

raising its stake in EVM," Mr. De Swart said.

He said the travel and recreation market was expected to see further growth as people found themselves with more and more free time.

Share analysts said EVM's losses would probably narrow this year as the result of a scheduled rise in Dutch car insurance premiums.

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# TENDER NOTICE

Preliminary to the invitation of international qualified bids, the General Petroleum & Mineral Organization, "PETROMIN", invites manufacturers of chemical additives to submit prequalification applications to provide PETROMIN's subsidiaries and factories with quantities required for the blending of about one million barrels of Lubricants and Greases for use by petrol, diesel, and marine engines as well as other industrial machinery. All materials supplied should conform to international standards and specifications.

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2. Have research and development facilities and capability in the field of processing chemical additives to cope with the developing international qualifications.
3. Present proof of his experience and evidence of his activities in this field during the last five years as a minimum.
4. Undertake to carry out at his expense, in co-ordination with PETROMIN, performance tests using PETROMIN's base stocks of "LUBREF" and submit the required certificates testifying that they conform to international qualifications such as those of the American Petroleum Institute. They should also obtain, in co-ordination with Petromin, attestation certificates from manufacturers of machinery as to the high quality of the various Lubricants and Greases.
5. Initially undertake to submit proposed chemical formulations up to the level of the required performance and also the results of quality performance tests using base stocks similar to LUBREF's Lubricants as shown by computer simulations.
6. Undertake to provide after-sale services in connection with improving the standard and level of performance of the Lubricants to cope with developments in this field.
7. Submit a copy of their constituting by-laws and a statement of their financial position for the last two years.
8. Should not be boycotted according to Saudi Regulations.

All prequalification applications should be submitted to the General Petroleum & Mineral Organization, "PETROMIN", Riyadh 11189, Kingdom of Saudi Arabia, Fax No. 4792849, Telex No. 401058 SJ. (401490) - (402802) - (401615) SJ. in sealed envelopes addressed as follows:

#### "Prequalification for Supply of Chemical Additives"

Attention: Legal Advisor / Faisal Al-Jarba

All enquires should also be sent to the same address.

The last date for submitting applications is Saturday the 1st of Dhul Qida corresponding to 27/6/1987.

Only companies and organizations qualified in accordance with the above conditions will be invited to tender.

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Finland	F.M.	1,750	950	520	F.M. 3.25	F.M. 1,183	
France	F.F.	1,500	820	450	F.F. 2.88	F.F. 1,048	
Germany*	D.M.	580	320	175	D.M. 1.11	D.M. 404	
Gr. Britain	£	150	72	40	£ 0.19	£ 69	
Greece	Dr	22,000	12,000	6,600	Dr. 49.56	Dr. 18,840	
Ireland	£.Irl.	150	82	45	£.Irl. 0.29	£.Irl. 106	
Italy	Lire	380,000	210,000	115,000	Lire 756	Lire 275,200	
Luxembourg	L.Fr.	11,500	6,300	3,400	L.Fr. 18.41	L.Fr. 6,700	
Netherlands	Fl	650	360	198	Fl. 1.21	Fl. 440	
Norway*	N.Kr.	1,800	990	540	N.Kr. 3.05	N.Kr. 1,110	
Portugal	Esc	22,000	12,000	6,600	Esc. 45.56	Esc. 23,500	
Spain*	Pts	29,000	16,000	8,800	Pts. 55.33	Pts. 20,140	
Sweden*	S.Kr.	1,800	990	540	S.Kr. 3.05	S.Kr. 1,110	
Switzerland	S.Fr.	510	280	154	S.Fr. 1.10	S.Fr. 400	
Rest of Europe, North Africa, former French Africa, Middle East	£	450	230	125	Varies by country		
Rest of Africa, Gulf States, Asia*	£	580	320	175			

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Tuesday's

# NYSE Closing

Tables include the midday prices up to the closing on Wall Street and do not reflect late trades elsewhere.

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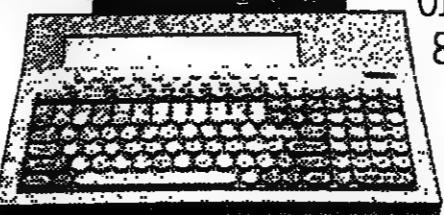
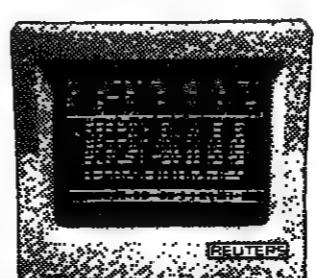
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Tuesday's  
**AMEX**  
Closing

Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere. *By The Associated Press.*

12 Month High Low	Stock	Div. Yld. PE	\$s. 100s	High Low	Close Quot. Chg's
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INTERNATIONAL FUNDS (Quotations Supplied by Funds Listed) 2nd June 1987

Net asset value quotations are supplied by the Funds listed with the exception of some quotes based on issue price. The marginal symbols indicate frequency of quotations supplied: (d) - daily; (w) - weekly; (b) - bi-monthly; (r) - regularly; (i) - irregularly.

Monthly: (F) - Regularly; (I) - Irregularly.									
16.74	(d) Pacific Inv'l. Fd. S.A.	CS 14.74							
23.33	(d) Thornton Australia Fd Ltd.	CS 23.82							
18.81	(d) Thornton European Fund	CS 5.93							
49.24	(d) Thornton HK & China	CS 18.93							
5.5	(d) Thornton Jason Fund Ltd.	CS 22.46							
5.5	(d) Thornton Jason Fd. Ltd.	CS 22.46							
5.5	(d) Thornton Jason Fund Ltd.	CS 21.95							
22.34	(d) Thornton Pacific Tech. Fd. Ltd.	CS 51.87							
22.48	(d) Thornton Li'l. Dragons Fd. Ltd.	CS 12.16							
5.5	(d) Thornton Golden Oscar. Fd. Ltd.	CS 12.71							
5.5	(d) Eastern Crusader Fund.	CS 11.03							
UNION BANKS OF SWITZERLAND									
(d) DM-Invest funds	SF 63.58								
(d) DM-Invest bonds	DM 224.40								
(d) ESPAC Spanish Sh.	SF 142.46								
(d) Fonac Swiss Sh.	SF 193.00								
(d) French French Sh.	SF 197.00								
(d) Germec German Sh.	SF 188.38								
(d) Globinvest Sh.	SF 111.00								
(d) SFR-Invest bonds	SF 217.00								
(d) Sima (stock price)	SF 224.50								
(d) Yen-Invest bonds	SF 99.00								
UNION INVESTMENT Fonds									
(d) Unireto	DM 38.20								
(d) Unifonds	DM 26.70								
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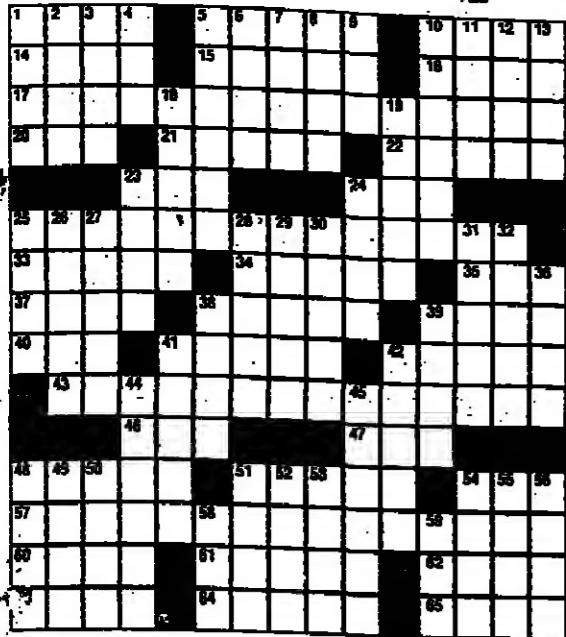
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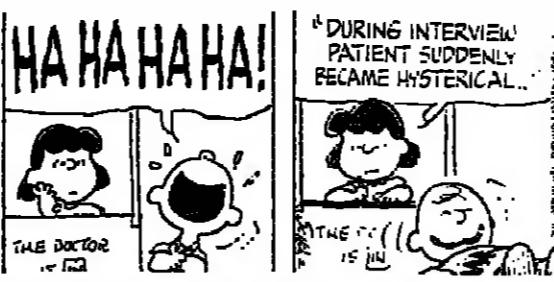
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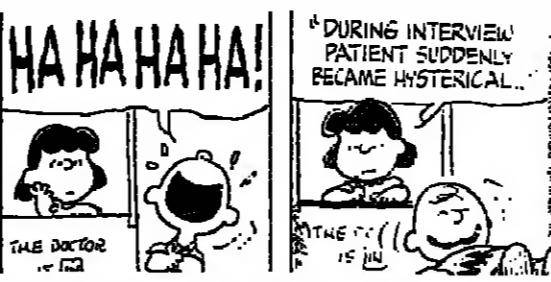




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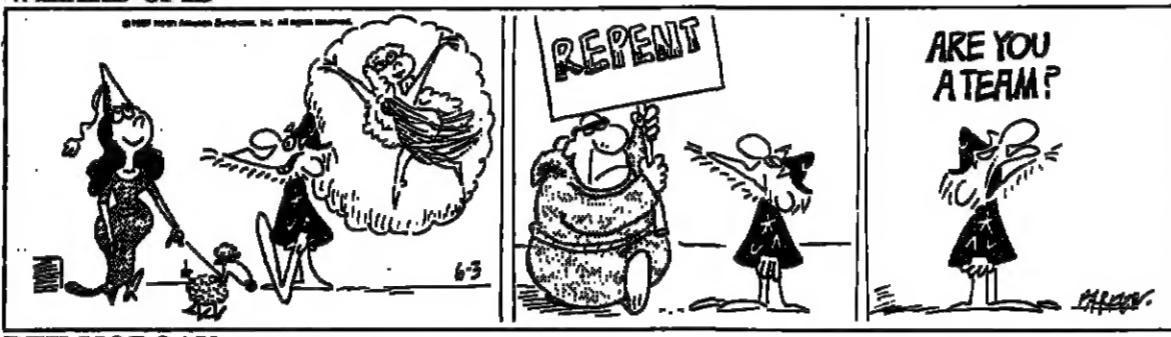
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